

**Department of Management**

**Internationalisation Strategies of Emerging Market Firms: The Case  
of Sarawak**

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**This thesis is presented for the Degree of  
Master of Philosophy (Management)  
of  
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## **DECLARATION**

To the best of my knowledge and belief this thesis contains no material previously published by any other person except where due acknowledgment has been made. This thesis contains no material which has been accepted for the award of any other degree or diploma in any university.

The proposed research study received human research ethics approval from the Curtin University Human Research Ethics Committee (EC00262), Approval Number HRE2017-0461.

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## **ABSTRACT**

The upsurge in emerging market firm (EMF) internationalisation has led to a corresponding increase in studies on the strategies employed by these firms in their international expansions. This increase in studies has resulted in divergent views among researchers, which is summarised into what is now termed as the “Goldilocks debate”. This debate has led to calls for more studies to be conducted on the strategies employed by EMFs in internationalisation and to determine the suitability of prevailing theories in explaining these strategies.

Although Malaysia is classified as an emerging market, there are limited studies to date investigating the internationalisation strategies of firms originating from this country. Additionally, the limited identified studies were focused on peninsular Malaysia with none of the firms originating from the eastern states of Malaysia.

The aim of this research was to explore the internationalisation strategies of firms originating from Sarawak, and to assess the suitability of prevailing theories in explaining those strategies. To achieve this aim, three research questions were posed and answered:

RQ1. What are the internationalisation strategies of EMFs from Sarawak?

RQ2. What are the constraints faced by EMFs from Sarawak in internationalisation?

RQ3. How suitable are current internationalisation theories applied in the context of EMFs from Sarawak?

A qualitative research methodology situated within the interpretive paradigm was employed in this research. Data collection was done through in-depth interviews with top managers of internationalised firms from Sarawak, and supported with documentary evidence on the firms. Collected data was analysed thematically in the light of existing literature.

This research revealed that the internationalisation strategies of the firms from Sarawak can broadly be grouped under three main categories: (i) Motivations and Markets, (ii) Modes and (iii) Measures. Market development was found to be the main internationalisation motive among firms from Sarawak. In terms of markets, it was found that the firms had vastly internationalised into the psychically closer and densely populated ASEAN region due to the market development motive. Strategic alliances

was found to be a major international entry mode among the firms in the research. In solidarity with the Sarawak Digital Economy, the firms in this research had also embraced e-commerce as a fast and less costly mode of international entry. To ensure a smoother and more successful internationalisation, the firms had adopted measures such as due diligence and certification.

It was further revealed that the constraints faced by the firms in their internationalisation, such as regulation barriers, and liabilities of foreignness and country of origin were influential factors of the strategies adopted. The research also established that singlehandedly, none of the prevailing internationalisation theories in the literature- the Uppsala Model, the Eclectic Theory, the International Product Life Cycle Model, and the Internationalisation Network Model- was adequate in explaining the internationalisation paths of the firms from Sarawak and thus required revisions. However, evidenced from how widely the firms had adopted strategic alliances as their mode of international entry, the Internationalisation Network Model seemed relatively stronger in explaining the internationalisation of the firms from Sarawak. The Internationalisation Network Model was found to complement the other theories in explaining the internationalisation paths of the firms from Sarawak.

As a contribution to international business studies, this research proposes a framework for studying and understanding the internationalisation strategies of firms from Sarawak and other similar contexts. This framework combines exploring the constraints firms face in addition to the three categories of the modified Five M Framework. This research also contributes to the Goldilocks debate by supporting the call for a revision in prevailing theories in explaining the internationalisation paths of EMFs.

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## **DEDICATION**

### **SPECIAL DEDICATIONS**



**TO**

**MY FAMILY: MR JOSEPH AMOAH, MS RITA ADDAI, AKWASI AKUMING**

**AMOAH AND KOFI ADJEI AMOAH**

**&**

**DR CALEB ACQUAH**

## **LIST OF ACRONYMS AND ABBREVIATIONS**

ACFTA	ASEAN-China Free Trade Area
AEC	ASEAN Economic Community
API	American Petroleum Institute
ARIC	Asia Regional Integration Centre
ASEAN	Association of Southeast Asian Nations
CECA	Comprehensive Economic Cooperation Agreement
CEPT	Common Effective Preferential Tariff
CPTPP	Comprehensive Progressive Agreement for Trans-Pacific Partnership
DMMs	Developed Market Multinationals
EMF	Emerging Market Firm
EMs	Emerging Markets
EU	European Union
HACCP	Hazard Analysis and Critical Control Points
IB	International business
IMF	International Monetary Fund
IPLC	International Product Life Cycle
ISM	International Safety Management
ISO	International Organisation for Standardization
MATRADE	Malaysia External Trade Development Corporation
MITEC	Ministry of International Trade and E-commerce, Sarawak
MNCs	Multinational Companies
NICs	Newly Industrialised Countries
OFDI	Outward Foreign Direct Investment
OLI	Ownership, Location, Internalisation
OPITO	Offshore Petroleum Industry Training Organization
SCM	Supply Chain Management
SWOT	Strengths, Weaknesses, Opportunities, Threats
TPPA	Trans-Pacific Partnership Agreement
UAE	United Arab Emirates
UNCTAD	United Nations Conference on Trade and Development
USTR	United States Trade Representative

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 CHAPTER OVERVIEW**

This first chapter introduces the entire research. The chapter begins by providing a background of the research, after which the problem statement is highlighted. This chapter also highlights the research aim, objectives and questions to be answered. The scope and significance of the research are also presented in this chapter. Lastly, the structure of the thesis is presented to conclude the chapter.

### **1.2 BACKGROUND OF THE RESEARCH**

The upsurge in the global undertakings of Multinational Companies (MNCs) in the world economy has attracted the attention of researchers, governments, state and international organisations. MNCs have positively transformed the economies of their home and host countries, and have generated interdependencies among them in the process (Yang and Huang 2011). The internationalisation of MNCs with origins from the Western advanced economies has occurred for many years now, as such most of the knowledge and literature in the field of International Business (IB) were based on cases from these advanced countries (Belussi, Rudello, and Savarese 2016).

Conversely, for the past two decades emerging economies from Asia, Africa and Central America have gained popularity in IB and other academic research (Kearney 2012). This is attributable to the recent rapid advancement of emerging market economies (Ramamurti 2012b). At present, emerging markets account for about 80% of worldwide GDP growth, approximately double of their contribution two decades ago (IMF 2017). The advancement of emerging market economies has led to a resultant growth of their businesses, and consequently an augmentation in their ability to internationalise. As indicated by Sauvart, Maschek, and McAllister (2010), Emerging Market Firms (EMFs) are playing an active role in the recent global Outward Foreign Direct Investment (OFDI) advancement. For instance more than 100 of the Fortune Global 500 list of 2017 are headquartered in China with State Grid,

China National Petroleum and Sinopec Group taking second, third and fourth places respectively, thus being counted among the top 5 on the list (Fortune 2017).

Other classic examples of EMFs competing vigorously with world acclaimed MNCs are China's Lenovo, India's Tata Group, and Malaysia's PETRONAS. In 2005, Lenovo acquired US-based IBM's personal computer business (IBM 2005) and has become the world's largest personal computer vendor by unit sales since 2013 (Statista 2018). The Tata group, India's largest conglomerate currently operates in over 100 countries across six continents, and collectively employs over 695,000 people globally (Tata 2018). PETRONAS, Malaysia's national oil and gas company, which currently owns 103 subsidiaries in 35 countries won the award for innovation and efficiency in removal of dangerous acids from crude oil at the Institution of Chemical Engineers (IChemE) Global Awards, 2015 (Borneo Post 2015).

According to Ramamurti (2012b), there are institutional, historical and cultural differences between emerging and advanced countries. In conformity with these differences, some initial research into the activities of EMFs reported that the internationalisation paths of EMFs in terms of management, motives, market choices and modes of entry are different from those of the Developed Market Multinationals (DMMs) (Luo and Tung 2007; Ramamurti and Singh 2009). The presence of these differences has led to divergent views among researchers as to the suitability of existing internationalisation theories in the context of EMFs (Cuervo-Cazurra and Ramamurti 2014; Guillén and García-Canal 2009; Deng and Yang 2015).

Prevailing theories such as the Uppsala Model, Eclectic Theory and the International Product Life Cycle (IPLC) Model were formulated based on the developments of DMMs from Western Europe and Northern America (Belussi, Rudello, and Savarese 2016). For instance, the Uppsala Model was propounded based on the study of Swedish firms, while the IPLC model was deduced from studying American firms which had internationalised (Glowik 2016; Johanson and Vahlne 2009; Vernon 1966; Johanson and Wiedersheim-Paul 1975). These theories are characterized by a predictable, step-by-step, gradual internationalisation path, which might be contrary to how EMFs internationalise (Bhaumik, Driffield, and Zhou 2016; Cuervo-Cazurra 2012; Guillén and García-Canal 2009). As a result, a section of IB researchers opine that current theories are unfit to explain how EMFs internationalise, hence new

theories are needed to explain them (Guillén and García-Canal 2009; Luo and Tung 2007). Contrarily, other IB researchers believe that the current theories are adequate in the explanation of EMF internationalisation (Rugman 2010; Dunning, Kim, and Park 2008). Yet again, another group perceives the internationalisation of EMFs as helpful in the extension of IB literature, thus existing theories only need some level of revision to suit the EMF context (Ramamurti and Singh 2009; Ramamurti 2012b). This diversity in opinions has led to what is now termed as the “Goldilocks debate” (Cuervo-Cazurra and Ramamurti 2014) after the popular childhood story “Goldilocks and the three bears” in which a little girl, Goldilocks, had to choose between three bowls of porridge: one hot, one cold and one just at the right temperature.

In the quest to unravel the “mystery” of EMF internationalisation paths and the suitability of current internationalisation theories in explaining them, the internationalisation of firms from various emerging markets has become a key research area in the field of IB (Jormanainen and Koveshnikov 2012; Gaur and Kumar 2010). Due to the present notable prominence of Chinese MNCs in global business, China has become the favourite study context when it comes to EMF internationalisation, leaving other emerging markets under-researched, and has led to a call for research in other emerging market areas (Thite et al. 2016; Luo and Zhang 2016).

To help bridge this gap and to enrich the research into EMF internationalisation, this research seeks to investigate how firms originating from Malaysia internationalise. A review of IB literature revealed some studies such as Aybar and Ficici (2009), Mohan (2013) and Zamberi Ahmad (2014) which focused on West Malaysian firms. However, to the best of the researcher’s knowledge, to date there are no published studies on the internationalisation of firms headquartered in East Malaysia. Given the geographical, cultural and institutional differences between west and east Malaysian states, and the current importance of IB to the Sarawak government (evidenced in the establishment of the Ministry of International Trade and e-commerce in May 2017, and the inclusion of e-commerce as one of the anchor sectors of the Sarawak Digital Economy Strategy for 2018 to 2022 launched in December 2017), this research is based on firms originating from the east Malaysian state of Sarawak. A study focusing on an east Malaysian state will serve as a useful addition to knowledge and help in presenting a more representative picture of the internationalisation of firms from Malaysia. Further

details on Sarawak and why it is chosen as the study context can be found at **sections 3.3 and 3.3.1** in this thesis.

### **1.3 PROBLEM STATEMENT**

Research into the internationalisation strategies of different emerging markets have produced diverse results; while some research results point to a similarity between the internationalisation paths of EMFs and DMMs, others reveal differences in their internationalisation paths. These discrepancies in results has led to a section of researchers challenging the ability of prevailing internationalisation theories in fully explaining the internationalisation paths of EMFs. Consequently, several researchers have called for further research into how EMFs internationalise, in order to arrive at a conclusion on whether prevailing IB theories are suitable in the context of EMFs or not. Though a number of active research is being done on the internationalisation of EMFs in the field of IB, statistics have shown that China is the favourite study context when it comes to EMF internationalisation, thus leaving a large number of firms from other emerging markets under-researched. For this reason, Malaysia was chosen as the emerging market to study in order to bridge the aforementioned gap. To the best of the researcher's knowledge, there are no published studies on the internationalisation of East Malaysian firms as the identified IB studies on Malaysian firms have focused on West Malaysian firms. Given the cultural and institutional differences between west and east Malaysian states, and the recent importance of IB activities to the Sarawakian government, this exploratory research focuses on firms headquartered in the east Malaysian state of Sarawak. By so doing, this research seeks to contribute to knowledge on how Malaysian firms, and on a larger scale how EMFs internationalise, while contributing to the ongoing debate on the suitability of prevailing theories in the context of EMFs.

### **1.4 RESEARCH AIM**

The aims of this research are to investigate the internationalisation strategies of EMFs originating from Sarawak, and to assess the suitability of prevailing theories in the context of EMFs from Sarawak.



#### **1.4.1 Research Objectives**

The aims of this research are further divided into three objectives in order to achieve the desired results. The objectives are as follows:

- i. To investigate the internationalisation strategies of firms originating from Sarawak.
- ii. To assess the constraints faced by firms originating from Sarawak in their internationalisation.
- iii. To determine the suitability of current internationalisation theories in the context of EMFs originating from Sarawak.

#### **1.4.2 Research Questions**

To achieve the set objectives, the current research seeks to answer the following questions:

1. What are the internationalisation strategies of EMFs from Sarawak?
2. What are the constraints faced by EMFs from Sarawak in internationalisation?
3. How suitable are current internationalisation theories applied in the context of EMFs from Sarawak?

### **1.5 SCOPE OF THE THESIS AND JUSTIFICATION**

This research investigates the internationalisation strategies of firms headquartered in the East Malaysian state of Sarawak. Sarawak was chosen as the study context because the few identified studies on the internationalisation of Malaysian firms focused on her Western states, which was not representative of how Malaysian firms internationalise, given the cultural and geographic differences between western and eastern Malaysian states. Also, the current importance of firm internationalisation to the state of Sarawak reflected by the establishment of the Ministry of International Business and E-commerce in May 2017, and the inclusion of e-commerce as one of the anchor sectors of the Sarawak Digital Economy Strategy for 2018 to 2022 launched in December 2017 makes Sarawak a suitable study context for an IB research.

For the purpose of this research, internationalised firms refer to firms which have extended their operations beyond their home countries' borders through exporting,

non-equity entry modes (such as licensing and franchising), strategic alliances (such as joint ventures), acquisitions or the establishment of subsidiaries (Hitt, Ireland, and Hoskisson 2012).

To investigate the internationalisation strategies of the selected firms, the research utilised the Five M Framework (Fey et al. 2016). This is a framework which directs the understanding of the internationalisation strategies employed by firms from emerging markets (Fey et al. 2016). The Five M Framework investigates the internationalisation strategies of EMFs in the areas of motives, markets, modes, methods and management. The Five M Framework was utilised in this research because of its comprehensiveness with respect to internationalisation strategies of EMFs.

Owing to the exploratory and contextual nature of the research, the current research employs a qualitative research method situated within the interpretive paradigm for data collection and analysis. The main source of data for this research was in-depth interviews with 15 top managers of internationalised firms from Sarawak. For the purpose of triangulation and to enhance the credibility of the research, documentary evidence on the firms were sourced from firm websites, annual reports, magazines and flyers. Collected data were analysed thematically by carefully identifying common patterns within the data. Previous IB literature were used as a guide to analyse, interpret and report collected data.

## **1.6 SIGNIFICANCE OF THE RESEARCH**

Many identified studies on EMF internationalisation focused on only one internationalisation strategic area. For instance, Isa, Saman, and Nasir (2014) focused on market selection decisions of Malaysian internationalised EMFs, Pananond (2015) studied internationalisation motives among EMFs while Anderson and Sutherland (2015) looked at the entry mode decisions of Chinese firms venturing into the United States of America. However, this research probed into the strategies of selected companies in 5 areas: motives, markets, modes, management and methods. Thus, this research serves as a deeper and more holistic study of EMF internationalisation strategies.

Secondly, to the best of the researcher's knowledge, there is currently no published work on the internationalisation of firms from East Malaysia and the Island of Borneo as a whole. Hence, by targeting firms headquartered in Sarawak, this research will generate novel and additional knowledge in the field of IB. Furthermore, by focusing on firms originating from Sarawak, this research will help in presenting a more representative picture of the internationalisation of Malaysian firms.

Again, being one of the pioneering IB studies focusing on an East Malaysian state, this research will not focus on firms from any particular industry or size, and will also include the constraints faced by the firms in their internationalisation process. The findings of this research will therefore serve as a useful insight for various policymakers and managers of firms in Sarawak, especially for the newly created Ministry of International Trade and E-commerce, and for the Sarawak Multimedia Authority (the spearheading body of the Sarawak Digital Economy Strategy). More widely, the findings of the research will serve as a useful guide for the policymakers and managers of other emerging markets and island-based EMFs with plans to internationalise.

Furthermore, this research will also contribute to the Goldilocks debate; an on-going debate in the field of IB on the appropriateness of current internationalisation theories in explaining the internationalisation patterns of EMFs.

## **1.7 THESIS STRUCTURE**

This thesis is divided into five chapters. After a general introduction to the research in Chapter One, Chapter Two presents a critical review of existing literature. Chapter Two is commenced by briefly explaining the concept of internationalisation, after which some theories on the internationalisation of firms, and internationalisation strategies are presented. In addition, a detailed review on the second part of the research topic, emerging markets, follows suit to conclude the chapter.

Chapter Three describes the methodology employed in the research. The chapter begins by justifying why the research chooses the interpretive research paradigm. Afterwards, the justification of Sarawak as the study context is presented. The research design, participant sampling and data collection methods are also highlighted, after

which the methods for data analysis and interpretation are elaborated. Finally, the ethical considerations involved in the research are presented to conclude the chapter.

Next, Chapter Four discusses the findings from the in-depth interviews and documentary sources of data. The findings were discussed in themes based on the three research questions posed in this chapter. Finally, Chapter Five concludes the research by providing a summary of the research, implications to theory and various stakeholders and the limitations and recommendations for future research.

## **1.8 CHAPTER SUMMARY**

The entire research was introduced in this chapter. The chapter contained the background of the study, problem statement, research aim, objectives and questions. The introductory chapter also highlighted the scope and significance of the current research. The subsequent chapter reviews some existing literature pertinent to this research.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 CHAPTER OVERVIEW**

The previous chapter introduced the entire research. This chapter presents a review of relevant literature to this research. The chapter begins by briefly defining internationalisation, then goes on to review literature on prevailing internationalisation theories. The chapter also discusses internationalisation strategies and issues related to the internationalisation of emerging market firms. Finally, the conceptual framework for this research is presented in this chapter.

#### **2.2 THE CONCEPT OF INTERNATIONALISATION**

Internationalisation is the foundational term or bedrock on which all other research on international business/management is built (Rundh 2015; Dehnen 2012). According to West (2015) and Welch and Luostarinen (1988), there is no clear, uniform definition to the term, although there has been much scholarly discussion on this field of research (Kubíčková, Votoupalová, and Toulová 2014; Korsakienė and Tvaronavičienė 2012). As such, different scholars define internationalisation differently, depending on the angle from which they look at the subject. Internationalisation may therefore refer to the process by which a firm enhances its engagement in operations abroad (Welch and Luostarinen 1988). Internationalisation could also mean a firm's stance on foreign activities or how it actually carries out those activities (Johanson and Vahlne 1977). The concept also borders on how a firm develops internationally with time (Lamb and Liesch 2002).

The need to increase sales and profit, enjoy first-mover advantage, potentially grow, enjoy a large customer size and higher economies of scale are some motivations behind business internationalisation (Neumair, Schlesinger, and Haas 2012). After a firm determines its strategic motives to operate abroad, Hermannsdottir (2008) explains that the choice of market, timing and entry mode are the main factors to consider in the internationalisation process, which is governed by diverse theories. The next section introduces some governing theories on firm internationalisation.

## **2.3 INTERNATIONALISATION THEORIES**

Over the past four decades, researchers have developed various theories in an attempt to expound on how and why firms participate in activities overseas, that is, the Internationalisation process of firms. Disparities in internationalisation theories have arisen because previous theories are constantly being challenged (Chetty and Campbell-Hunt 2004; Morgan and Katsikeas 1997). This is due to the impact of technological, social and economic changes or advancements which alter management decisions and hence how firms internationalise (Liu 2012).

The following subsections present an overview of the Uppsala Model, International Product Life Cycle Model, the Eclectic Theory and the Internationalisation Network Model. The aforementioned theories propose different approaches to firm internationalisation and explain the main factors that affect a firm's internationalisation path. These theories are briefly introduced and discussed in this chapter to provide the theoretical foundation and help in analysing and understanding the internationalisation paths of the firms in the research (Research Question 1). A review on the theories in this chapter is also to provide insights on prevailing theories and set the background to meaningfully contribute to the Goldilocks debate (Research Question 3).

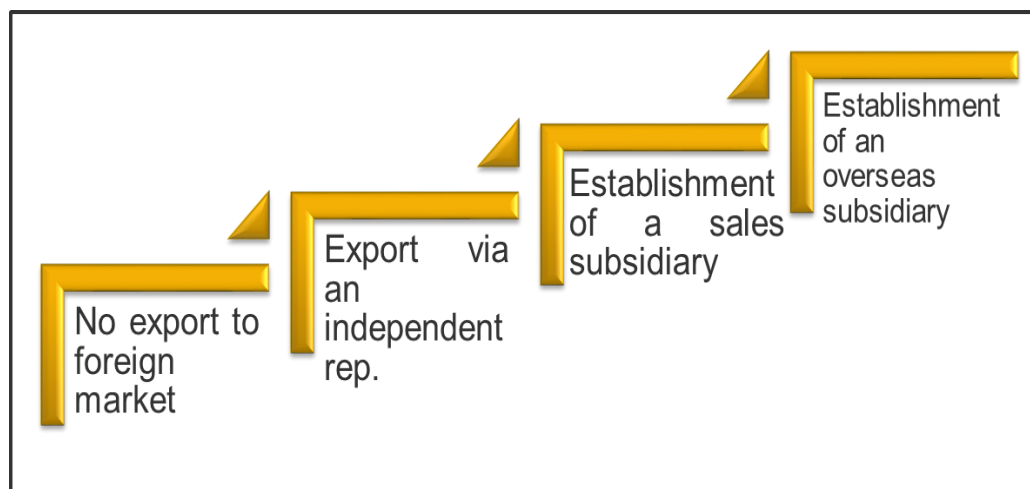
### **2.3.1 The Uppsala Model/ Internationalisation Stage Theory**

The followers of this theory explain the firm Internationalisation process according to the research done by Scandinavian researchers Johanson and Wiedersheim-Paul, and Johansson and Vahlne, collectively called the Uppsala School in 1975 and 1977 respectively. The Uppsala Model/Internationalisation Stage Theory has been the basis for the development of subsequent Internationalisation literature and models (Andersen 1993; Morgan and Katsikeas 1997).

According to the theory, the Internationalisation process is affected by increased experiential knowledge of a firm on its target market. As such, firms initially extend its operations to neighbouring markets which are believed to be “psychically close”. The concept of psychic distance refers to factors that inhibit the transmission of information between a firm and a target market. Some of these factors may come in the form of culture, language, educational levels, industrial development levels,

political systems and business practices (Johanson and Vahlne 1977, 2009; Su 2013; Magnani, Zucchella, and Floriani 2017), which potentially generate differences among markets.

Subsequently, as experiential knowledge on the target market and resources increase, firms can then operate in “psychically distant” markets because uncertainty and perceived risks associated with entering new markets are reduced (Rundh 2015; Whitelock 2002; Morgan and Katsikeas 1997; O'Grady and Lane 1996; Johanson and Vahlne 1977).



**Figure 2.1** The Establishment Chain of the Uppsala Model/International Stage Theory  
Source: Compiled from Johanson and Vahlne (1977, 2009).

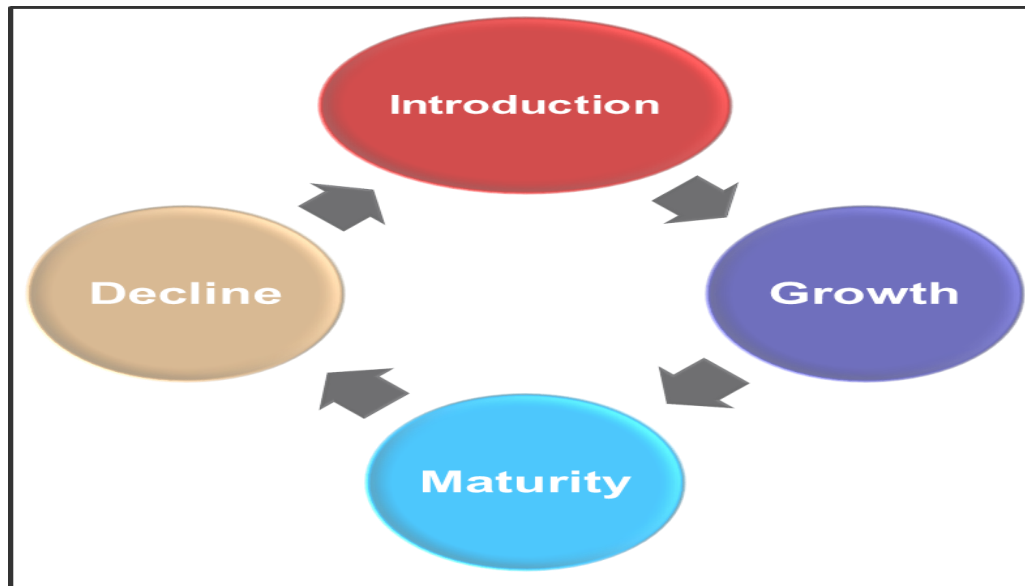
As shown in **Figure 2.1**, existing literature on the Uppsala Model identify four stages in the Internationalisation process in a pattern of increasing commitment to the target market: (i) no regular exports to target international market, (ii) export through an independent representative, (iii) establishment of a sales subsidiary and (iv) establishment of a full-blown production or manufacturing unit in the international market (Johanson and Wiedersheim-Paul 1975). This 4-staged incremental pattern of firm internationalisation is referred to as the Establishment Chain (Johanson and Vahlne 2009, 1977).

### 2.3.2 The International Product Life Cycle Model

The International Product Life Cycle (IPLC) Model, also referred to as the Model of Sequential Decision Making was developed by Raymond Vernon in 1966 after studying some USA-based companies. According to this model, the pursuit of cheap labour and cost advantage primarily motivates a firm to internationalise its operations (Hermannsdottir 2008). The IPLC model views a firm's internationalisation process as a sequence of incremental, predictable stages which occur as a firm goes through its "life stages" (Hermannsdottir 2008; Mtigwe 2006; Vernon 1966; Lee and Malerba 2016).

Just like the Establishment Chain of the Stages Theory, the IPLC outlines four stages in the life of a firm's product: introduction, growth, maturity and decline as depicted in **Figure 2.2**. The introduction stage, which begins the cycle is when a firm ushers a new product into its home market, usually a developed/industrialised market (Glowik 2016; Vernon 1966). At the growth stage, production increases and the firm extends its operations to other industrialised markets abroad. The product reaches the maturity stage when major industrialised markets have been saturated with the product and a standardization of the product has taken place. At this point, the focus of the firm begins to shift from product development to reduction of production cost. The shift in focus motivates the firm to extend its operations to, and establish production plants in less developed countries where production costs are perceived to be lower. The product finally hits the decline stage when the firm exports its product from less developed countries back to the country of origin of the product (Glowik 2016; Hermannsdottir 2008; Mtigwe 2006). The cycle then starts all over again with a new product being introduced by the firm.





**Figure 2.2** The Life Stages of a product in the International Product Life Cycle Model  
Source: Compiled from Vernon (1966); Mtigwe (2006); Hermannsdottir (2008) and Glowik (2016).

### 2.3.3 Dunning's Eclectic Theory

Popularly known as the OLI Theory, the Eclectic Theory was propounded by John Dunning (Dunning 1977). The Eclectic theory posits that a firm seeking to extend its business across its national boundaries must possess ownership, location and internalization advantages (OLI) in order to reduce its transaction cost and liability of foreignness (Dunning 1977).

As emphasized by Scott-Kennel and Enderwick (2004), an MNC can be competitive if it is able to exploit and organise its ownership (O) and internalized (I)-specific resources across its home borders, while making good use of location (L)-specific advantages in its foreign market. By utilising its resources this way, the firm can then overcome its liabilities of foreignness and compete favourably with local competitors in the overseas market (Scott-Kennel and Enderwick 2004).

O-specific advantages are an organization's tangible and intangible resources which competitors lack. L-specific advantages are benefits a firm derives from operating in a particular foreign market. I-specific advantages are benefits a firm derives from doing its production by itself rather than through or together with a third-party because it is costly and inefficient (Mtigwe 2006; Nayak and Choudhury 2014).



**Figure 2.3** The OLI Triad of variables of Internationalisation

Source: Compiled from Dunning (1977); Mtigwe (2006); Nayak and Choudhury (2014).

**Figure 2.3** illustrates the requisite variables for firm internationalisation according to the Eclectic Theory. A firm can internationalise its operations only when all the three factors are present since “the OLI triad of variables can be likened to a three-legged stool; each leg is supportive of the other, and the stool is only functional if the three legs are evenly balanced” (Dunning 1998; Iammarino and McCann 2013).

#### **2.3.4 Internationalisation Network Model**

The internationalisation network model views a firm’s growth and internationalisation process as a product of the establishment, maintenance and development of relationships with a network of participants or actors (Johanson and Mattsson 1988; Sullivan Mort and Weerawardena 2006). These actors are mainly customers, suppliers, competitors and governments (Johanson and Mattsson 1988).

The network relationship can be either formal or informal (Sullivan Mort and Weerawardena 2006; McAuley 1999), and can take many forms including joint ventures, strategic alliances, subcontracting, licensing agreements, joint marketing, and joint research and development activities (Ireland et al. 2001). On the more informal side, Chinese entrepreneurs are noted to leverage on personal relationships to win more business deals and achieve other organisational goals. This is popularly

termed as *guanxi* which is translated into relationships in English (Opper, Nee, and Holm 2017; Zhang et al. 2017).

The internationalisation network model holds that through the formation of networks, firms can join internal and external resources together in pursuit of strategic aims, which include internationalisation (Blomstermo et al. 2004; Ciravegna, Lopez, and Kundu 2014). In this model, a firm's access to its network's resources is prioritised or considered at least as important as its internal resources or competencies (Hermannsdottir 2008; Glückler 2005). As such, Glückler (2005) highlights that a firm's position in a network is a form of intangible resource to the firm.

According to Coviello and Munro (1995), Javalgi and Todd (2011) and Ellis (2011), the formation of business networks facilitate the success of a firm by helping to find new market opportunities and helping to acquire knowledge on the new markets. Glückler (2005) also highlights that the formation of networks can help to reduce transaction or production costs, develop new knowledge or competencies and help its members to compete against third parties in the international market. Due to these benefits derived from networking, Ratajczak-Mrozek (2012) posits that a firm's degree and success of internationalisation can be linked to the strength of its links with actors in a network.

Although the formation of business networks are beneficial to firms of all sizes, networks are more beneficial to born global firms and SMEs because of their resource constraints (Hermannsdottir 2008; Sullivan Mort and Weerawardena 2006; Andersson, Evers, and Gliga 2018). Lin and Lin (2016) highlights that the formation and maintenance of rich business relationships among entrepreneurs is increasingly becoming a key tool for international expansion and confrontation of competition among SMEs.

Though propounded by different researchers and in different settings, the four prevailing internationalisation theories and models discussed above are interrelated as they all seek to predict the internationalisation path of firms, though from different perspectives. For instance, while the Uppsala Model posits that firms internationalise only when they have full knowledge on their target market, the Eclectic Theory highlights that firms will internationalise only when they have ownership, location and internalisation advantages. Again, the Internationalisation Network Model explains

that firms internationalise only when other firms in their networks have internationalised. Though all the four theories predict the markets firms internationalise into, they do so from different angles. The Uppsala Model suggests that firms begin their internationalisation from psychically closer countries while the IPLC Model suggests that firms begin their internationalisation from developed markets. The Internationalisation Network Model suggests that firms internationalise into the markets where other firms in their networks have internationalised into while the Eclectic Theory suggests that firms internationalise into markets which possess location advantages. Thus, not only does the investigation into these theories provide the theoretical foundation for this research, it helps in analysing and understanding the internationalisation paths of the firms in this research and help in making a more meaningful contribution to the ongoing Goldilocks debate.

## **2.4 BORN GLOBALS**

Over the past two decades, researchers have observed that an increasing number of firms internationalise their operations right from inception, which has led to many previously propounded theories of internationalisation being challenged (Knight and Cavusgil 2004; Sleuwaegen and Onkelinx 2014). The most common terms being used to describe such fast-paced firms in internationalisation are Born Globals (Kiss, Danis, and Cavusgil 2012; Chetty and Campbell-Hunt 2004; Cannone and Ughetto 2014) and International New Ventures (McDougall and Oviatt 2000).

Born Globals are defined as firms which pursue rapid internationalisation right from their establishment without first engaging in long-term activity in their domestic markets (Kubíčková, Votoupalová, and Toullová 2014). As indicated by some analytical studies, this new breed of companies internationalise their operations by or before their third year of establishment and gain at least 25% of their annual sales turnover from their operations abroad (Knight and Cavusgil 2004; Moen 2002). Being young and deficient in resources, exporting has been identified as the leading internationalisation mode of entry among born globals (Cavusgil and Knight 2015).

According to Cannone and Ughetto (2014), a firm's decision to internationalise early or otherwise is dependent on 5 main categories of reasons: technology, home country conditions, the entrepreneur, network relationships and firm attributes. The rapid

internationalisation of firms nowadays is attributed to advancements in technology, transportation, increased trade liberalization, regional economic integration and growth of international networks (Loane and Bell 2011; Chetty and Campbell-Hunt 2004; Cannone and Ughetto 2014).

## **2.5 INTERNATIONALISATION STRATEGIES**

The previous section discussed some prevailing internationalisation theories. This section discusses the strategies adopted by firms in their internationalisation process. According to Nickols (2012), strategies are the link between ends and means in business operations. He goes on to define strategy as a composite network of opinions, experiences, insights, philosophies, expertise, perceptions, goals and expectations that generally guide specific activities targeted at attaining specific ends or goals (Nickols 2012). As such in the context of IB, internationalisation strategies may refer to a composite network of opinions, experiences, insights, philosophies, expertise, perceptions, goals and expectations that generally guide a firm to achieve its goals of extending its operations into an international market.

Prior to the formulation of business strategy, management generally performs an environmental scanning or analysis, which is an integral part of strategic management (Pickton and Wright 1998; Jarratt and Stiles 2010). This is because outcomes of an environmental scanning directs management in choosing the best strategy for the business. One of the most prominent frameworks for environmental scanning is the SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis. The SWOT analysis is a method of environmental scanning in which a business explores its internal and external environment with the view to formulate suitable strategies based on its strengths, weaknesses, opportunities and threats (Ghazinoory, Abdi, and Azadegan-Mehr 2011).

There are several identifiable steps involved in the development of an internationalisation strategy. The firm must determine the motives or objectives of internationalisation and then decide on which international markets to enter, how to enter and when to enter (Griffin and Pustay 2002; Keegan Warren and Green Mark 2008; Hill 2008). Benito (2015) holds that the “why” (motive) of internationalisation

determines the “where” (location) and the “how” (mode). The following subsections discuss internationalisation strategies in terms of motives, markets and entry modes.

### **2.5.1 Internationalisation Motives**

Research on internationalisation motives address the key question of ‘why’ firms internationalise their operations (Pananond 2015). According to Korsakienė and Tvaronavičienė (2012), the motive to internationalise can be stimulated internally or externally depending on the firm’s stage of internationalisation. Internal stimuli are those factors within the firm which influence a firm’s decision to internationalise while external stimuli influence a firm’s internationalisation decision from outside the firm’s environment (Kubíčková, Votoupalová, and Toulová 2014). Maqsoom et al. (2014) explained that the ultimate aim of internal motives of internationalisation is to seek new opportunities for the firm, while external motives seek to ensure the survival of the firm.

In addition, there is a classic four-way classification of internationalisation motives based on John Dunning’s location advantages viz: Resource seeking; Market seeking; Efficiency seeking; and Strategic asset seeking (Dunning 1993; Dunning and Lundan 2008; Pananond 2015). This four-way framework is generally considered as the best known classification of internationalisation motives (Cuervo-Cazurra, Narula, and Un 2015).

With the Resource-seeking motive firms internationalise their operations mainly to have access to high quality resources at lower costs (Franco, Rentocchini, and Vittucci Marzetti 2008; Dunning and Lundan 2008). These resources could be in the form of inexpensive, motivated skilled, semi-skilled and unskilled labour, technological advancements and abundance of cheap, high-quality natural resources (Pananond 2008). When a firm is able to acquire such resources overseas, its overall cost of production reduces and profit increases, leading to an increase in its global competitiveness.

Firms that internationalise with a Market-seeking motive do so to exploit new markets (Franco, Rentocchini, and Vittucci Marzetti 2008; Dunning and Lundan 2008). Although market size is a major factor that is considered when internationalising with a market seeking motive, businesses may also operate abroad to follow customers or

suppliers who have established abroad to maintain business relationships with them (Pananond 2008). Businesses may also internationalise to new markets of their competitors to have a physical presence and to partake in the “goodies” competitors are enjoying in those markets (Taylor and Jack 2016).

Businesses which extend their operations to different international countries with the hope of exploiting the availability and comparative cost of factor endowments and governance do so with an Efficiency seeking motive (Dunning and Lundan 2008). With an Efficiency-seeking motive, businesses may also operate in countries with comparable economic structures and governance to exploit economies of scale. Lastly, businesses operate abroad with a Strategic Asset-seeking motive with the aim of procuring the assets of other foreign corporations to enhance their long-term competitiveness (Franco, Rentocchini, and Vittucci Marzetti 2008; Meyer 2015). The section that follows describes how suitable international business locations are chosen after the decision to expand abroad.

### **2.5.2 Location Choice**

After a firm has established the motive(s) for which it wants to internationalise, the next step is to search for, and decide, exactly where the operation will take place. This is because choosing and exploiting an appropriate location can enhance the multinational firm’s performance and increase its O-advantages (Yeoh 2011; Jain, Lahiri, and Hausknecht 2013).

The internationalising firm settles on a location after carefully evaluating possible location choices against its relevant criteria of selection (Andersen and Buvik 2002). David (2012) classified the L-advantages of the OLI framework under three main advantage criteria for selecting a suitable location for internationalisation; Economic advantages, Political advantages and Socio-cultural advantage criteria. Economic advantages take into account the quantities and qualities of factors of production, market size and scope. Political advantages refer to government policies that are likely to influence internationalisation. Socio-cultural advantage criteria include the psychic distance between the home country of the firm and the host country, cultural differences and the attitude of the people towards foreign businesses (David 2012).

According to Asgari, Ahmad, and Gurrib (2010) firms are subjected to different socio-economic, political, cultural and institutional settings in their home countries. They therefore choose to internationalise into countries with similar settings in order to avoid or reduce the uncertainties in foreign countries. In other words, internationalising firms tend to operate in psychically close countries, especially in the initial stages of internationalisation. The next section elaborates on how firms enter their chosen location for internationalisation.

### **2.5.3 Entry Modes**

An entry mode refers to structural agreements or arrangements that enable a business to extend its operations to foreign countries. An entry mode can possibly lead to the business marketing its products (via exporting) or producing and marketing by itself or partnering with others (via contractual agreements, joint ventures and establishment of wholly owned subsidiaries) in the host country (Canabal and White 2008; Mardanov 2003). An internationalisation entry mode can affect a firm's operations and performance and its survival in the long run (Efrat and Shoham 2013).

The decision as to which entry mode to employ in internationalisation largely depends amongst other things, on the amount of resources the business is ready to commit; the level of control the owner(s) wish to have over the business; risk exposure; and the profit return (Kraus et al. 2015; Pan and David 2000).

According to Hitt, Ireland, and Hoskisson (2012), international expansion entry modes include exporting, non-equity entry modes (such as licensing and franchising), strategic alliances (such as partnerships and joint ventures), acquisitions or the establishment of subsidiaries. These entry modes with relative increasing resource commitment, risk exposure, control and return (with the assumption that the higher the risk the higher the return) are briefly discussed in this section.

Exporting refers to a business entry mode which allows the sale of a business' goods or services across borders from its home country to a foreign country (West 2015). There are two types of exporting identified in literature; direct and indirect exporting. Direct exporting refers to exporting directly to a firm's international market whiles indirect exporting refers to exporting to a target international market through intermediaries such as wholesalers (Akerman 2018). Bai, Krishna, and Ma (2017) posit



that indirect exporting offers smaller firms the opportunity to extend their products beyond the boundaries of their home markets without incurring the various costs associated with direct exporting, however, indirect exporters enjoy lower profits because intermediaries take a cut of their profits. Apart from lower profits, indirect exporters lose out in the learning-by-exporting opportunity because according to Egan and Mody (1992) firms learn to improve their performance, cost-cutting technologies and profit-boosting product designs through buyer-seller relationships.

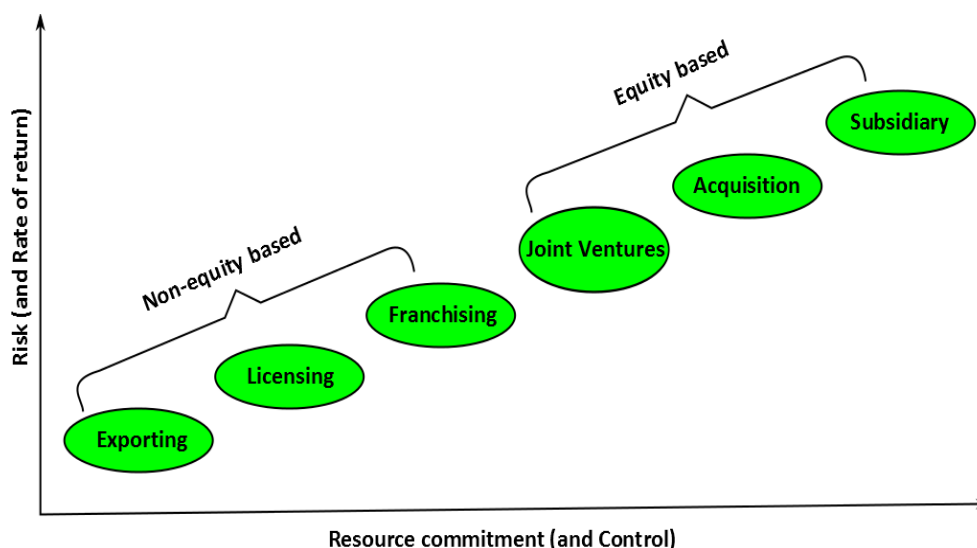
Licensing refers to a contractual agreement where an already established firm (licensor) gives legal rights to a firm in a foreign country (licensee) to use its industrial property (patents, know-how or trademarks) for a stipulated period of time in return for a compensation payment (royalty) (Mardanov 2003). Franchising is a form of licensing agreement where an already established business (the franchisor) allows a business in a foreign country (franchisee) to fully operate with its business system in addition to other property rights in return for payment (royalties) (Mardanov 2003; Hitt, Ireland, and Hoskisson 2012).

A joint venture is a form of entry mode where an internationalising firm joins resources with a firm in the host country to form a new legally independent business entity, with the partners having agreed upon ownership proportions (Hitt, Ireland, and Hoskisson 2012). A joint venture can later become an acquisition when the internationalised firm buys out completely the total shares of the venture (Hitt, Ireland, and Hoskisson 2012). An internationalising firm can also enter into the host country by acquiring the total shares of a firm which is ready to sell right from the start without being a joint venture first (West 2015).

Wholly-owned subsidiaries are extensions of a business abroad where the business has its own facilities and has one hundred percent ownership. Wholly-owned subsidiaries may be an extension of a joint venture when the foreign partner buys out all the shares of the local partner to become the sole owner (Hitt, Ireland, and Hoskisson 2012). In their study of the external antecedents of internationalisation entry mode choices of firms, Morschett, Schramm-Klein, and Swoboda (2010) find a strong positive relationship between the level of power distance in an internationalising firm's home country and the propensity to establish a wholly-owned subsidiary in a host market. An internationalised firm has the highest level of control over its international

operations when it internationalises through owning subsidiaries (West 2015; Mardanov 2003). Due to the high cost and riskiness involved in establishing a subsidiary, Benito (2015) concludes that firms prefer other entry modes unless it is highly necessary to establish an overseas subsidiary.

Based on the amount of resource commitment, the ownership and degree of control the business owner(s) wants to have over their businesses overseas, entry modes can be classified under Equity and Non-equity based modes (Harzing and Pudelko 2016; Zhao and Decker 2004) as depicted in **Figure 2.4**. Equity based modes of entry involve foreign businesses investing directly in the host market, solely or in partnership with local businesses, leading to the establishment of an independent organisation. Equity based entry modes require higher levels of resource commitment (and risk) from the business owner.



**Figure 2.4** Illustration of the inter-relationships between market entry modes, and their dependence on resource commitment and risks involvement.

Source: Compiled from Hitt, Ireland, and Hoskisson (2012); Zhao and Decker (2004); Harzing and Pudelko (2016).

Joint ventures, acquisitions and wholly owned subsidiaries are examples of equity-based entry modes. Non-equity based entry modes require a relatively lower amount of resource commitment from the foreign business owner. They are contractual agreements and do not lead to the establishment of an independent organisation. Exporting and contractual agreements such as licensing and franchising are non-equity based entry modes (Efrat and Shoham 2013; Mardanov 2003). If a firm wishes to make

higher return from its international operations, it must be ready to commit more resources. However, the more it commits its resources, the more it opens itself up to risks of operating overseas. The firm must therefore exercise more control over its foreign operations (Asgari, Ahmad, and Gurrib 2010).

In choosing a suitable entry mode when firms are internationalising into psychically distant countries, Chang et al. (2012) highlight that the governance quality of the target market plays a role in determining whether the firm will go for a wholly owned subsidiary or a joint venture. When governance quality is poor, firms prefer to establish subsidiaries due to the risks involved in collaborating with the local firms. On the other hand when governance quality is satisfactory, the internationalising firm prefers to collaborate with local firms by way of joint ventures or partnerships.

The current research focuses on the internationalisation strategies of firms originating from emerging markets. The subsequent section expatiates on emerging markets, how they are classified, how their firms internationalise and the constraints faced by EMFs in their internationalisation.

## **2.6 EMERGING MARKETS**

Emerging Markets (EMs), also called Newly Industrialised Countries (NICs) generally refer to countries which are neither considered as developing nor developed (West 2015). There is however no uniformly accepted method of categorising countries as emerging markets. The available classifications are subjective to the various classifying bodies, who review their classifications on a regular basis (UNCTAD 2015; Liou 2013). **Table 2.1** is a representation of how some acclaimed bodies classify countries and examples of countries which fall in their category of emerging markets.

**Table 2.1 Classification of countries by some worldwide institutions**

<b>Classifying body</b>	<b>Indicator(s)</b>	<b>Examples of emerging markets</b>
World Bank	GNI per capita (Low income, lower middle, upper middle and high income countries)	Indonesia, Brazil, Malaysia, Mexico, Philippines, South Africa, Russia
International Monetary Fund (IMF)	GNI per capita Export diversification Degree of integration into the global financial system (Advanced and emerging markets)	Malaysia, Argentina, Thailand, Brunei Darussalam, Chile, Indonesia, Ukraine, Vietnam
United Nations Conference on Trade and Development (UNCTAD)	No established convention for classification (Developing and developed countries)	India, Colombia, China, Malaysia, Indonesia, Pakistan, Brunei Darussalam

Source: Compiled from World Bank (2016b); IMF (2016) and UNCTAD (2017)

There are however certain noticeable similarities that cut across countries classified as emerging markets, regardless of the classifying body. Emerging markets usually have a lower but steadily increasing per capita income as a result of rapid economic growth. This can be attributed to the shift of reliance on agriculture and the export of primary products to globally competitive manufacturing and provision of services. For example in 2015, developed economies like the United States, Germany, Japan and the United Kingdom saw economic growth rates of less than 3% whereas emerging countries such as Egypt, Turkey and the United Arab Emirates grew by 4% and over. China and India had a growth rate around 7% (Amadeo 2016).

The rapid growth in emerging markets naturally calls for a corresponding rapid social change or orientation. The leaders of emerging economies meet this need by investing quite heavily in state-aided research and education and also provision and development of institutions and infrastructure (Cheru and Obi 2012; Amadeo 2016). Another notable characteristic of emerging economies is the deliberate effort of their leaders to open up the economy for trade with more developed countries and other emerging

economies. For example in 2015, the Association of Southeast Asian Nations (ASEAN), one of the fastest rising emerging areas in the world established the ASEAN Economic Community (AEC) with the vision of making the ASEAN a single market and production base characterised by the free flow of capital, skills, goods, services and investments (Das 2015). Emerging markets are also characterised by high levels of economic volatility and less mature capital markets (West 2015; Kearney 2012; Amadeo 2016). The next subsection generally discusses the internationalisation process of EMFs.

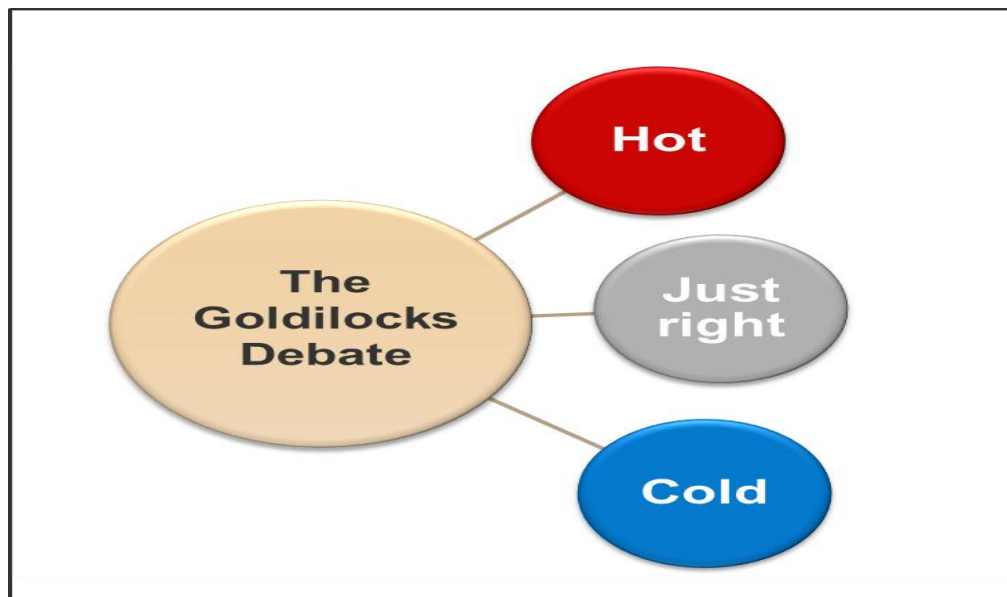
### **2.6.1 Internationalisation of Emerging Market Firms**

The following subsections discuss some salient issues related to the internationalisation of EMFs. These are the Goldilocks debate, EMF internationalisation strategies, the Five M Framework and constraints in EMF internationalisation.

#### **2.6.1.1 The Goldilocks debate**

Over the past few decades, the attention of international business scholars has been drawn to multinationals from emerging markets/countries. This is because these emerging market firms (EMFs) are increasingly becoming important world players in diverse industries (Thite et al. 2016; Sirkin, Hemerling, and Bhattacharya 2008; Maqsoom et al. 2014). Previous international business studies and theories were propounded based on multinationals from advanced economies, hence the need for, and rise in research into the fast increasing international operations of EMFs (Al-Kaabi, Demirbag, and Tatoglu 2010; Liou 2013; Sim and Rajendran Pandian 2007). Theories are influenced by the cultural contexts out of which they are propounded, as a result their generalisability is doubtful (Cuervo-Cazurra 2012; Hofstede 1996).

The advent of EMF internationalisation has conspicuously generated varying schools of thought in the field of International Business, which has been christened as the “Goldilocks debate” by Cuervo-Cazurra (2012) as presented in **Figure 2.5**.



**Figure 2.5** Classification of EMF internationalisation paths

Source: Compiled from Cuervo-Cazurra (2012)

According to Cuervo-Cazurra (2012), one school believes that the internationalisation process of EMFs is a “cold” area of study. This is because the internationalisation process of EMFs is similar to that of Developed Market Multinationals (DMMs). As a result, they can be explained using the current internationalisation theories, hence there is no need to develop new theories to explain them (Dunning, Kim, and Park 2008; Rugman 2010, Johanson and Vahlne 2003; Sim and Rajendran Pandian 2007).

An opposing school of thought holds that EMF internationalisation is a “hot” field of study (Cuervo-Cazurra 2012). Those who follow this ideology believe that the internationalisation paths of EMFs are entirely different from those of DMMs and must be expounded and understood differently (Parthasarathy, Momaya, and Jha 2017). For instance, according to Liou (2013), EMFs usually divert from the path depicted in traditional internationalisation models. They rather seek internationalisation expansions at early stages of their existence because they have limited resources in their home countries and have a latecomer status (Liou 2013; Sim and Rajendran Pandian 2007). Additionally, it is probable that continuous research into EMF internationalisation will continue to defy prevailing theoretical patterns, hence new theories must be propounded to suit the context of internationalisation among EMFs (Gammeltoft, Barnard, and Madhok 2010; Narula and Guimon 2010; Hennart 2012).

The third ideology as shown in **Figure 2.5** is in between the two extremes of “hot” and “cold”, that is the study of EMF internationalisation paths is “just right”. Those who hold this view believe that researching into EMF internationalization can help to extend and improve existing theories (Ramamurti 2009, 2012b). They hold that the real difficulty is to ascertain which aspects of existing theories can fit into the context of EMF internationalisation and which aspects do not (Ramamurti 2012b). They conclude that the existing IB theories might be able to explain EMF internationalisation paths but might however need some revision (Cuervo-Cazurra 2012).

#### **2.6.1.2 EMF Internationalisation Strategies**

EMFs have a diverse range of internationalisation motives. They may be motivated by more than one motive to internationalise, which are usually a mix of both internal and external factors (Zamberi Ahmad 2014). Luo, Xue, and Han (2010) observed that market-seeking is a key motive behind the internationalisation of EMFs. In the case of Indian firms, internationalisation motives include gaining access to advanced technology, value creation for their brands and pursuit of customers for niche products (Gubbi et al. 2010; Pradhan 2007; UNCTAD 2006). Pradhan (2007) also revealed that Indian firms prefer acquisitions as an entry mode into North American and European markets.

In their study of internationalisation entry considerations, Maqsoom et al. (2014) established that Pakistani contractors are motivated internally rather than externally to internationalise. They further found that Pakistani contractor firms have a major presence in the United Arab Emirates, Saudi Arabia and Qatar markets than other markets, which further strengthens the concept of psychic distance. For the Brazilian IT firm AlphaTech, it first ventured into the Chilean market, by opening a subsidiary, in order to reduce the risk of competition being posed by foreign firms expanding into Brazil (Moraes and da Rocha 2014). Its initial internationalisation motive can be described as being externally motivated.

In terms of international markets, Kim (2017) concluded that DMMs preferred to internationalise into developed markets rather than emerging markets. That is because DMMs originate from and are used to markets with fully developed institutions. As a

result, they (DMMs) find it difficult to extend into emerging markets which are characterised by institutional voids such as macroeconomic fluctuations and less developed institutions (Kim 2017). EMFs on the other hand are more comfortable expanding into other emerging markets because they are used to operating in environments with those institutional voids (Fey et al. 2016). As such, EMFs have the competitive advantage over DMMs when it comes to operating in adverse environments (Ramamurti 2012a).

According to Zamberi Ahmad (2014) the most common market entry mode employed by EMFs is exporting, followed by joint ventures/strategic alliances. This is reasonably true, as exporting and joint ventures have relatively lower degrees of riskiness. It is also worth mentioning that the internationalisation decisions and strategies of EMFs may also be determined and influenced by other firms in their network or value chains (Pananond 2015). Overall, EMFs are heterogeneous in their international operations, as they originate from different countries and industries, and expand into different markets using different strategies; their results are therefore inconclusive (Thite et al. 2016; Jormanainen and Koveshnikov 2012).

### **2.6.1.3 The Five M Framework**

A review of IB literature reveals that research on the internationalisation strategies of EMFs have focused on one or a combination of the areas of motives, location choices and entry modes. For example, Anderson and Sutherland (2015) and Maqsoom et al. (2014) focused on the international entry mode strategies of Chinese and Pakistani firms respectively. Pananond (2015) focused on internationalisation motives while Isa, Saman, and Nasir (2014) focused on market choices of EMFs.

However, Fey et al. (2016) proposed the Five M Framework by which EMF internationalisation strategies can be fully studied and understood. In the aforementioned framework, EMF internationalisation strategies can be grouped under 5 main categories: motivations, markets, modes, methods and management.

In the Five M Framework, Motivations refer to reasons why EMFs internationalise their operations. According to Thite et al. (2016), Pananond (2015), and Gaur and Kumar (2010), EMFs internationalise for reasons different from DMMs. For example, in Gubbi et al. (2010), Pradhan (2007) and UNCTAD (2006) the internationalisation



motives of Indian firms include value creation for their brands, gaining access to advanced technology and pursuit of customers for niche products, which is not the case of DMMs which have internationalised for a long time now and as such already have these competencies. EMFs may be internally or externally motivated to internationalise (Zamberi Ahmad 2014), however, market-seeking is the key motive behind their internationalisation (Luo, Xue, and Han 2010).

Markets are defined in the Five M Framework as the international markets firms internationalise into, the order of entry and why they choose those particular markets (Fey et al. 2016). In choosing an international market, psychic distance plays a significant role for EMFs (Maqsoom et al. 2014). This may be attributed to the higher costs involved in internationalising into psychically distant countries (Vermeulen and Barkema 2001), which are comparatively higher for EMFs since they usually lack resources such as internationally trained staff or financial resources (Majocchi, Dalla Valle, and D'Angelo 2015).

The structural arrangements used by EMFs to enter into their international markets are categorised under the Modes section in the Five M Framework (Fey et al. 2016). Due to the lower levels of costs and riskiness involved, the most common international entry modes among EMFs have been found to be exporting, followed by strategic alliances (Zamberi Ahmad 2014). However, EMFs are also willing to leapfrog their internationalisation by beginning with more risky international entry modes such as acquisitions, as in the case of the Russian firm Transas which began its internationalisation by acquiring a factory abroad (Fey et al. 2016).

Methods are the unique/specific strategies firms employ to internationalise effectively, while Management refers to practices of management to ensure effective internationalisation according to the Five M Framework (Fey et al. 2016). Methods adopted by EMFs in their internationalisation include combating negative image, learning from their mistakes, investing in research and development, basing their operations in free economic zones, and using consultants and lawyers to get information when entering a new country (Luo, Sun, and Wang 2011; Fey et al 2016). Fey et al (2016) classify EMF practices such as staffing for internationalisation, equipping staff with international experience, skills, and mind-set, interacting with

subsidiaries, and having a clear vision to internationalise under the management category of the Five M Framework.

Due to its comprehensiveness, the Five M Framework was utilised in this research in studying the internationalisation strategies of EMFs originating from Sarawak. The next subsection highlights some constraints faced by EMFs in internationalisation.

#### **2.6.1.4 Constraints in EMF Internationalisation**

According to Jarratt and Fayed (2001), organisational and market constraints have a direct impact on firms' strategies. Hashim (2015) highlights that the constraints of EMF internationalisation emanate from both internal and external sources. The main internal constraints are related to the "human factor", while inadequate governmental support and latecomer status are the main external barriers to EMF internationalisation (Sauvant, Maschek, and McAllister 2010).

Sauvant, Maschek, and McAllister (2010) identify the dearth of managerial experience and knowledge as a major internal constraint of EMF internationalisation. EMFs internationalise at early stages of their existence and are unwilling to hire foreigners to manage their operations. Coupled with the fact that internationalisation of emerging market firms is a relatively new phenomenon, EMF management sometimes lack the skills and experience to properly lead and direct their international operations (Sauvant, Maschek, and McAllister 2010; West 2015). This makes them less competitive relative to local and other foreign firms in their overseas markets. To overcome the constraints of latecomer status and psychic distance, EMF managerial expertise and competence cannot be overemphasised (Al-Rabeei and Scott 2011; Al-Mubarak 2016).

Another internal constraint to EMF internationalisation is the cost of conducting due diligence on the target market, especially, psychically distant markets. Flyvbjerg (2013) defines due diligence as a careful legal or voluntary investigation of a business, investment or person. According to Vermeulen and Barkema (2001), when a firm internationalises into psychically distant countries, its costs are increased because it resorts to various sources of gathering information on that market. This cost is comparatively higher for firms originating from emerging markets, and small and medium sized firms because they usually lack resources such as internationally trained

staff or the financial resources to engage professional consultancy services (Majocchi, Dalla Valle, and D'Angelo 2015).

Thite et al. (2016) highlights that EMFs in their internationalisation “have to overcome the double hurdle of liability of foreignness and liability of country of origin”. These pose as external constraints to internationalisation among EMFs. Liability of foreignness refers to the extra costs an internationalised firm incurs which local firms in the international market do not incur (Zaheer 1995). The extra costs are attributable to four main sources: spatial distance; unfamiliarity with the foreign terrain; host country hostility towards foreign firms; and home country business environment (Zaheer 1995; Hennart 2012). These costs incurred are detrimental to the internationalised firm (Hennart 2012).

Liability of country of origin emanates from the negative perceptions people have on products or organisations originating from particular countries or parts of the world (Moeller et al. 2013; Roth and Romeo 1992). EMF brands are generally not internationally recognised and perceived to be of lower quality; it is therefore difficult marketing and selling them especially in developed (Maghrour 2010; Moeller et al. 2013).

Emerging markets, unlike developed countries have poorly developed and less efficient capital markets (Kearney 2012; Khanna and Palepu 2006). Consequently, EMFs are unable to raise huge sums of money required to invest in research and development, and innovative technology to advance their brands internationally (Khanna and Palepu 2006). This results in a vicious cycle of the liability of country of origin.

Another major external constraint to EMF internationalisation is the absence of government support (Sauvant, Maschek, and McAllister 2010; Al-Rabeei and Scott 2011; Zafarullah, Ali, and Young 1997). Leonidou (2004) highlights the lack of home government assistance and unfavourable governmental rules as the main impediments to internationalisation through exports. DMMs on the other hand have enjoyed the support of their home governments over the years. It therefore becomes very difficult for EMFs to compete favourably with their counterparts from the developed countries (Sauvant, Maschek, and McAllister 2010).

## **2.7 Gaps in the literature**

Studies such as Gammeltoft, Barnard, and Madhok (2010), Parthasarathy, Momaya, and Jha (2017), and Hennart (2012) have criticized prevailing internationalisation theories for being unsuitable in explaining and predicting the internationalisation paths of EMFs. This is mainly because prevailing theories such as the Uppsala and the IPLC Models were propounded based on cases of DMMs. Other studies on the other hand have concluded that prevailing theories are suitable in the context of EMFs (Dunning, Kim, and Park 2008; Rugman 2010; Sim and Rajendran Pandian 2007), while others conclude that the study of EMF internationalisation serves as a useful addition to IB literature (Ramamurti 2009, 2012b; Cuervo-Cazurra 2012). This inconsistency in conclusions among IB scholars, now known as the Goldilocks debate, has led to a gap in literature as to whether prevailing theories are suitable in the EMF context or not. This has led to calls for more studies to be done on the internationalisation of EMFs. This research helps to fill this gap by studying the internationalisation of firms from an emerging market context.

Thite et al. (2016), and Luo and Zhang (2016) in their studies noted that China has become the favourite study context when it comes to EMF internationalisation, which has led to other emerging markets being under-researched in the field of IB. To help in filling this gap, the current research chooses Malaysia as its study context. Identified IB studies such as Mohan (2013) and Zamberi Ahmad (2014) focused on firms from Malaysia's western states, however, to the best of the researcher's knowledge, there are no published studies done on the internationalisation of firms from east Malaysian states. Given the current importance of IB activities to the state government, and the institutional and cultural differences between west and east Malaysian states, this research focuses on firms from Sarawak. By so doing, this research does not only contribute to the contextual gap in EMF internationalisation studies but also contributes to the ongoing Goldilocks debate.

## **2.8 The Conceptual Framework**

The conceptual framework for this research is presented in **Figure 2.6**. The aim of a conceptual framework in research is to categorize and describe salient concepts to the study and map their interrelatedness (Rocco and Plakhotnik 2009). Unlike a theoretical framework which is used for investigating a specific theory, Rocco and Plakhotnik

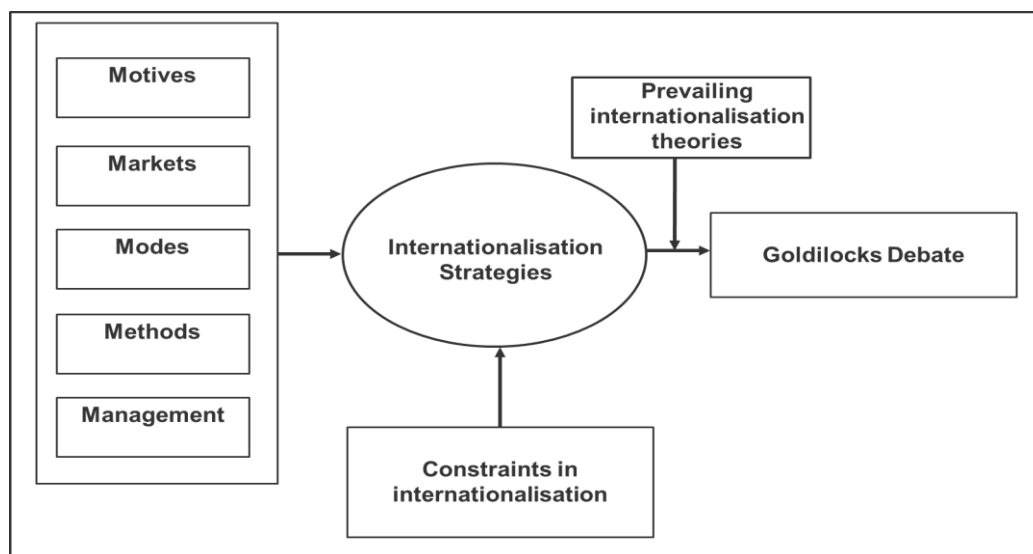
(2009) conclude that a conceptual framework consists of theoretical and empirical work which are pertinent to the research, and its purpose is not to further test a specific theory. Miles and Huberman (1994) highlight that to achieve this goal in qualitative research, relevant theory and empirical research are incorporated to “see where the overlaps, contradictions, refinements or qualifications are” (p. 22).

The current research studies the internationalisation strategies of the firms from Sarawak by utilising Fey et al.’s (2016) Five M Framework, and by investigating the constraints faced by the firms in their internationalisation. The firms’ internationalisation constraints are also investigated because as discussed previously, a firm’s organisational and market constraints have a direct impact on its strategies (Jarratt and Fayed 2001). The firms’ strategies will then be paralleled with the tenets of prevailing theories to determine the suitability of the theories in explaining the strategies, thus contributing to the ongoing Goldilocks debate. This conceptual framework therefore aids in achieving the aim of this research by helping to answer the three research questions:

RQ1. What are the internationalisation strategies of EMFs from Sarawak?

RQ2. What are the constraints faced by EMFs from Sarawak in internationalisation?

RQ3. How suitable are current internationalisation theories applied in the context of EMFs from Sarawak?



**Figure 2.6.** The conceptual framework for studying the internationalisation strategies of EMFs and contributing to the Goldilocks debate

## **2.9 CHAPTER SUMMARY**

This chapter presented a review of relevant literature to this research. The chapter discussed the concept of internationalisation and presented some governing theories of firm internationalisation. The chapter also reviewed relevant literature on the internationalisation of EMFs. This chapter ended with a presentation of the conceptual framework for this research. The next chapter discusses the methodology utilised for the research.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 CHAPTER OVERVIEW**

This chapter provides a thorough discussion of the methodology employed in answering the research questions. The chapter begins with the justification of the chosen research paradigm. This is followed by a discussion on the suitability of Sarawak as the study context. Next, the research design, participant sampling method and interview protocol are presented. Subsequently, the data collection, analysis and interpretation processes are elaborated on. Finally, ethical issues involved in the current research are presented.

#### **3.2 SELECTION AND JUSTIFICATION OF RESEARCH PARADIGM**

Guba (1990, 17) defines paradigm as “a basic set of beliefs that guides action”. Hence, research paradigm can be defined as a basic set of beliefs that guide research, or as Creswell (2013, 6) defines it, “a general philosophical orientation about the world and the nature of research that a researcher brings to a study”. The chosen research paradigm directs the entire research process by determining the research strategy (Saunders, Lewis, and Thornhill 2012), methods and how findings are interpreted (Crotty 1998). Saunders, Lewis, and Thornhill (2012) outline four research paradigms in their “Research Onion”: Positivism, Realism, Interpretivism and Pragmatism.

Positivism takes after the philosophical stance of the natural scientist (Saunders, Lewis, and Thornhill 2012; Wahyuni 2012) by identifying the similarities and causal relationships in collected data through experiments to make law-like generalisations (Gill and Johnson 2010; Neuman 2011). Positivists hold the belief that the same results will be obtained by different researchers when they observe similar factual problems using a similar research process (Creswell 2009). Positivists usually opt for quantifiable (quantitative) methods to collect and analyse data (Saunders, Lewis, and Thornhill 2012), and are therefore more gravitated towards deductive research for theory testing (Soiferman 2010). Realism, also known as the postpositivism paradigm (Krauss 2005; Denzin and Lincoln 1994) is similar to positivism, in that they both follow after the natural scientists’ philosophy in research (Wahyuni 2012). However,

the difference between the two paradigms is that postpositivists or realists disagree with the positivists' belief in an absolute truth of knowledge, especially with respect to studying human behaviour (Wahyuni 2012; Phillips and Burbules 2000).

Contrary to the positivists, the Interpretivism philosophy, which underpins the current research, holds that business and management research is complex due to the presence of social actors, hence law-like generalisations cannot be made as is done in the physical sciences (Saunders, Lewis, and Thornhill 2012). This is because it is believed in the interpretivism philosophy that human viewpoints and experiences are subjective and may change with time (Hennink, Hutter, and Bailey 2011). Contrary to the generalisation approach adopted by the positivists, interpretivists adopt the use of narrative forms of analysis to provide specific descriptions and highly detailed accounts of a social reality under study, which is known as the idiographic approach (Neuman 2011; Farzanfar 2005). As opposed to positivists who seek to replicate research studies, interpretivists believe that studies which bring to bear inside perspectives of social phenomena from research participants are sources of good social knowledge (Wahyuni 2012). Thus in terms of axiology, interpretivists take the emic stance, that is, studying social reality from the perspective of the people being studied (Ponterotto 2005). Interpretivists employ the use of qualitative methods in data collection and analysis (Wahyuni 2012; Neuman 2011). Thus, interpretivists are more gravitated towards inductive research for theory-building (Soiferman 2010).

Last but not least of the different research philosophies is Pragmatism. Pragmatists do not commit to any of the opposing research philosophies; they view research philosophies as a continuum rather than contrasting options (Creswell 2013; Tashakkori and Teddlie 1998). The focus of pragmatists is what works best to solve the research problem (Tashakkori and Teddlie 2010). As such, both quantitative and qualitative methods (mixed methods) are used to collect and analyse data (Szyjka 2012; Creswell 2013; Morgan 2007).

The first research question for this research was “what are the internationalisation strategies of firms from Sarawak.” According to Perry (1998), research questions of “what are” nature are more descriptive than prescriptive, and thus call for a theory-building (inductive) rather than a theory-testing approach (deductive). Creswell (2013)



highlights that research based on the interpretive paradigm lean more towards theory-building while those based on positivism are mostly towards theory-testing.

Furthermore, the main purpose of this research was to investigate and paint a clear picture of the internationalisation strategies of firms from a particular context (Sarawak), rather than to provide statistics of causal relationships among variables. In the field of IB, constructs such as culture, history and institutions can highly impact how firms from particular geographical locations internationalise (Birkinshaw, Brannen, and Tung 2011; Ramamurti 2012b). As such, the framers of internationalisation strategies of firms develop strategies based on these constructs, thus giving them a subjective viewpoint of internationalisation. These subjective viewpoints must therefore be analysed and interpreted in their individual contexts in order to produce an in-depth understanding of how and why firms choose particular strategies.

As such, based on the discussion above, the interpretivism philosophy is better suited for this research. This research therefore employed the use of a qualitative research design situated in the interpretivism paradigm/philosophy. The following section provides details on the study context and why it was chosen for this research.

### **3.3 THE STUDY CONTEXT**

Sarawak is the largest state of Malaysia, in terms of land size, with an area of 124,450 km<sup>2</sup> (arrowed in **Figure 3.1**). It is one of the two East Malaysian states (the other being Sabah) found on the Island of Borneo, the third largest island in the world. The state is bordered northeast by Sabah, southward by Kalimantan; Indonesia's section of the island, northward by the sovereign nation of Brunei and to the west by the South China Sea. Kuching, the capital city of Sarawak is also the seat of the state's government as well as its economic centre.



**Figure 3.1.** Map of Malaysia showing Sarawak within the 13 states. Source: Facts.co (2017).

Other notable cities in the state are Bintulu, Miri and Sibul. Sarawak has a population of about 2,471,140 per the 2010 national census of Malaysia.

Sarawak's Chief Minister, Datuk Patinggi Abang Johari Tun Openg, in a statement made in September 2017 highlighted that the state has made great strides in its economic development over the years, maintaining a positive economic growth at 3.2% in 2016 in spite of global uncertainty and low crude oil prices (The Sun Daily 2017). In 2016, Sarawak contributed 10% of the national GDP of Malaysia, making it the third largest contributor after Selangor (22.6%) and the Federal Territory of Kuala Lumpur (15.1%) (Department of Statistics Malaysia 2016a).

Sarawak has a well-diversified economic structure, however, the state's rich supply of natural resources continues to be the main driver of her economy with agriculture (oil palm), mining and forestry being the main pillars of the economy (MARC 2015, 2016). In 2016, Sarawak was the largest contributor to Malaysia's agricultural sector, contributing 16.5% of the sector's income (Department of Statistics Malaysia 2016b). Oil and gas-related products and tropical hardwood timber continue to be major contributors when it comes to exportation in Sarawak. However, both sectors have seen a decline in contribution due to the global downturn in crude oil prices since late 2014 (MARC 2015), and a weak and uncertain market respectively (Borneo Post 2015).

Sarawak's services and manufacturing sectors are also increasingly becoming important to her economy, contributing about 33.1% and 27.2% respectively in 2015 after the primary sector (36.4%) (MARC 2016). The state's services sector is spearheaded by tourism, cargo-related activities and air transport, while light industries in food processing, shipbuilding and electronics dominate the manufacturing sector (ICAAS 2017; MARC 2015).

### **3.3.1 The suitability of Sarawak as the study context in an IB research**

On 7 May 2017, the Ministry of International Trade and e-Commerce was established in Sarawak with functions to (i) plan, formulate, recommend and implement policies for international trade and e-commerce (ii) identify and promote export opportunities for local enterprises (iii) nurture and develop local enterprises to enhance their positions regionally and globally (iv) plan and develop capacity building for local enterprises to participate in e-commerce activities in line with digital economy (v) establish global business networking and collaboration with public and private sectors (vi) establish 'e-Commerce Innovation Centre' for prospective enterprises to fast track their readiness for international trade and e-Commerce (MITEC 2017).

In September that same year, Sarawak's Chief Minister highlighted that the state's external trade was worth RM 116.3 billion the previous year (2016), and it is expected that with an increase in exports and other international trade activities, the state's economy should expand and improve (The Sun Daily 2017; The Malaysian Insight 2017).

Also, in December 2017, the five-year Sarawak Digital Economy Strategy (2018-2022) was launched. This strategy outlined 47 strategic plans to enable Sarawak become a leader in the digital world and to achieve a high-income status by the year 2030 (Sarawak Government 2017; The Star Online 2017). E-commerce was outlined as one of the seven anchor sectors of the Sarawak Digital Economy Strategy, with the objectives to (i) increase sales and revenue from export of Sarawak products globally and (ii) improve the marketing of local products through e-commerce strategies and platform (Sarawak Government 2017).

The aforementioned demonstrate the recent importance of IB activities to Sarawak, hence making the state a suitable study context in an IB research such as the current

research. Other reasons why Sarawak is chosen as the study context have been highlighted below.

- I. Sarawak is a state of Malaysia. Malaysia is classified as an emerging market by the IMF, World Bank and UNCTAD (IMF 2016, UNCTAD 2015, World Bank 2016b).
- II. In 2016, Sarawak contributed 10% of the national GDP of Malaysia, making it the third largest contributor after Selangor (22.6%) and the Federal Territory of Kuala Lumpur (15.1%) (Department of Statistics Malaysia 2016a). Thus, Sarawak is the larger contributor to Malaysia's economy out of the two eastern states on Borneo Island.
- III. Although there exist a few studies on internationalisation of firms from Malaysia, none is based on the Eastern Malaysian firms. Justifications (I) and (II) above make Sarawak a suitable and deserving study context for firm internationalisation since there exist identifiable internationalised firms originating from the state. Findings from this research will therefore serve as a useful knowledge base and help present a more representative picture on how Malaysian firms internationalise.
- IV. Although Sarawak is politically part of the larger nation of Malaysia, it is geographically separated from the western states of the country as shown in Figure 6. Also, there exist socio-cultural differences among the western and eastern states of Malaysia. Sarawak is also ruled by her own state government. Ramamurti (2012b) described how cultural and institutional differences can impact how firms from particular areas internationalise. This means that findings of previous IB studies which focused on the western Malaysian firms might not be applicable to firms originating from the east Malaysian states. This further justifies the need for further studies in Malaysia and consequently the choice of Sarawak as the study context.
- V. Sarawak has a unique location of being situated on an island. To the best of the researcher's knowledge, there is no published work on the internationalisation of firms from island emerging markets. This research could therefore serve as

a premier study and guide to island and other isolated emerging market firms wishing to internationalise.

The next section presents the research design utilised in this research.

### **3.4 THE QUALITATIVE RESEARCH DESIGN**

As stated in a previous section, this research adopted a qualitative research methodology in conformity with its interpretive philosophy. Teherani et al. (2015) define qualitative research as an organised investigation of social phenomena in their natural settings. According to the aforementioned researchers, these phenomena include among others, people's experiences in some aspects of their lives, the behaviour of people or groups, how organisations work and how relationships are shaped through interactions (Teherani et al. 2015). The interest of qualitative researchers lies in the understanding and meanings people attribute to their experiences (Stake 2010). Unlike quantitative researchers who are concerned with outcomes, predictions, cause-effect relationships and generalisations, qualitative researchers aim to understand and describe phenomena under study by capturing and communicating participants' lived experiences, and do not involve in making statistical generalisations (Boddy 2016; Yilmaz 2013).

The researcher is the main instrument for data collection in qualitative research. The researcher studies events, how and why they happen and what they mean to the participants involved (Corbin and Strauss 2008; Teherani et al. 2015). Merriam (2009) emphasized that information gathered from a qualitative research brings to bare insights on the meanings people attach to their experiences.

Aside from the interpretive philosophy adopted by the researcher, a qualitative design is preferred due to the exploratory nature of the present research and the research questions to be answered. Research methodologists have expounded on the appropriateness of a qualitative design when the research in question is exploratory (Darlington and Scott 2003; Yin 2013).

The internationalisation of firms from emerging markets such as Malaysia is a relatively new phenomenon. Also, internationalised firms from the East Malaysian state of Sarawak, which are the main focus of the research have limited or no identified previous reported work in terms of internationalisation to the best of the researcher's

knowledge. As such, this research adopts an exploratory research design which allows for flexibility and provides deeper knowledge and understanding which may be used for further study (Asgari 2012; Hipsher 2008; Malhotra 2007).

According to Amaratunga et al. (2002) and Spencer et al. (2003), a qualitative research method is suitable for a study when the research question(s) begins with “what is”, “how” or “why”. Thus, the current research questions; “What are the internationalisation strategies of EMFs from Sarawak”, “What are the constraints faced by EMFs from Sarawak in internationalisation”, and “How suitable are current internationalisation theories applied in the context of EMFs from Sarawak” call for the use of a qualitative research design.

Within the qualitative research design, the in-depth qualitative interview method was utilised for this research. Details on this method are presented in the following section.

### **3.4.1 In-depth Qualitative Interview Method**

In-depth interviews were the main method of investigation and data collection for this research. Potter (1996, 96) defines an interview as “a technique of gathering data from humans by asking them questions and getting them to react verbally”. The objective of an interview is to acquire a full, detailed account of the phenomenon under study from an informant (Polkinghorne 2005). Interviews generate in-depth information on participants’ experiences and perspectives on a particular topic under investigation (Turner 2010). As explained by Patton (1990, 278), “we interview people to find out from them those things we cannot directly observe”. The literature outlines three main types of qualitative interviewing methods: the informal conversational interview, the standardized open-ended interview and the general interview guide approach (Patton 1990; Gall, Gall, and Borg 2003).

In the informal conversational interview, questions are generated spontaneously during the natural flow of an interaction, as such, interviewees might not even realise they are being interviewed (Patton 1990). In this method of interviewing, the interviewer does not ask specific questions, but depends on the interaction with the interview participants to determine the subsequent questions to be asked (McNamara 2009). The informal conversational interview method is regarded as beneficial by many researchers due to its unstructured nature which allows for flexibility during the

interview (Turner 2010). However, other researchers doubt the stability and reliability of this type of interviewing due to its inconsistent nature which makes data coding difficult (Creswell 2007).

The standardized open-ended interview, at the extreme end of the informal conversational interview is highly structured in the wording of questions (Turner 2010). Although participants are asked similar questions, the questions are worded in an open-ended manner, which gives the opportunity for participants to give as much detailed information as they can, while allowing the interviewer to ask probing follow-up questions (Turner 2010; Gall, Gall, and Borg 2003). The standardized open-ended interview also helps to lessen researcher bias in the research, especially when there are many participants.

The general interview guide approach is more structured compared to the informal conversational interview (Gall, Gall, and Borg 2003), and more flexible compared to the standardized open-ended interview. In this type of interview, a set of issues to be explored are outlined to serve as a checklist to ensure that all important topics are covered during the interview (Patton 1990). This research adopted the general interview guide approach because according to McNamara (2009), this interview approach has the advantage of ensuring uniformity in the general areas of data collected while still giving room to participants to fully express themselves. This feature of the general interview guide approach was much needed in this research because the interview participants belonged to different industries. This approach to interviewing allowed them to express their opinions based on their experiences in the unique contexts of their industries. This sometimes led to the discovery of new themes and topics not yet realised in the course of the research (Brinkmann 2014; Creswell 2013).

A salient concern with the use of the in-depth qualitative interview method is the number of interviews that can be considered enough for a study (Baker and Edwards 2012). There is currently no uniformly agreed appropriate number of interviews by methodologists in literature. There are no specific guidelines regarding the number of interviews in a qualitative study; the sample size depends on the available time and resources of the researcher(s) and the purpose of the study (Patton 2002; Dick 1999).

However, experienced methodologists encourage qualitative researchers to continue interviewing until data “saturation point” is reached (Patton 2002; Charmaz 2006). Saturation in qualitative research refers to the point where enough information has been obtained to replicate the study, and when no new themes emerge from additional collection of data (Fusch and Ness 2015). According to Bernard and Bernard (2012), the number of interviews needed to reach saturation cannot be quantified. But Guest, Bunce, and Johnson (2006) suggest that interview questions should be structured in such a way that multiple participants are asked the same questions in order for data saturation to be reached.

Some researchers conclude that it is possible to attain data saturation after a few as 6 interviews (Manning 2004; Isman, Ekéus, and Berggren 2013). Guest, Bunce, and Johnson (2006) hold that it is possible to generate broad themes after 6 interviews, but generally 12 interviews are enough to reach saturation. Others also reached saturation after 10 interviews which lasted for about an hour each (Rao, Perry, and Frazer 2003). Francis et al. (2010) noted that major themes were developed after 10 interviews in their study. However, only a few new minor themes were developed when the interviews continued, thus there was a set-in of diminishing returns. Data saturation was attained after 17 interviews (Francis et al. 2010). Kumar (1989) suggest that in a key informant interview, a sample size of between 15 to 35 informants are sufficient to reach saturation. The sample size can even be lower when two or more data collection methods are combined (Kumar 1989).

Apart from sample size, Dibley (2011) highlights that it is important to consider the richness and thickness of data. Richness measures the quality of the data while thickness measures the quantity of data (Fusch and Ness 2015). For Fusch and Ness (2015), it is advisable and more advantageous to have a blend of both. For the current research, data saturation was reached after 15 key informant interviews. The sampling method is discussed in the subsequent section.

Doody and Noonan (2013), and Boyce and Neale (2006) outline some limitations with the use of the interview method for data collection, which include being prone to bias, being time-involving, being expensive and not being generalisable as opposed to data collection methods like surveys. However, due to the contextual and exploratory nature of the current research, and since the research does not aim for generalisation,



the in-depth interview method is better suited for data collection for this research (Dworkin 2012; Creswell 2013). The indepth interview data collection method was utilised in studies such as Hipsher (2008), Kaur and Sandhu (2014), and Lim (2016) to explore the internationalisation strategies of firms originating from different emerging market contexts.

### **3.4.2 Sampling techniques**

Two sampling techniques were utilised for this research; purposive and snowball sampling. Purposive sampling, also referred to as the Judgement sampling is a non-probability sampling method which deliberately targets research participants as a result of the qualities possessed by those participants (Etikan, Musa, and Alkassim 2016). As observed by Acharya et al. (2013), in a purposive sampling, particular research participants are selected because “they are at the right place at the right time.” Willing and able participants are selected to provide needed information for research by virtue of their experience or knowledge (Bernard 2002).

This sampling method is normally adopted in qualitative studies to look out for and choose information-rich cases or participants (Etikan, Musa, and Alkassim 2016). Patton (2005) defines information-rich cases as people from whom a great deal can be learnt on an issue being studied. Usually, these participants are individuals or groups who are proficient and well-informed about the phenomenon under enquiry (Patton 2002). Yilmaz (2013) concluded that the main objective of a purposive sampling in a qualitative research is to choose and study small samples or unique cases to produce a wealth of detailed information and in-depth understanding of the phenomenon under study, which limits their generalisability.

Additionally, although criticized as leading to bias and less diversity in a study’s sample (Woodley and Lockard 2016; Etikan, Alkassim, and Abubakar 2016; Kowald and Axhausen 2012) the snowball sampling technique was also utilised in this research. A snowball sampling technique engages existing research participants to identify or recruit other individuals from among their acquaintances with similar characteristics (Mooi, Sarstedt, and Mooi-Reci 2018). Noy (2008) highlights that the snowball sampling technique is particularly effective for identifying and obtaining information from “hidden populations”. As at April 2018, The Sarawak Chamber of

Commerce and Industry had a directory to 130 registered member firms while the SME Corp. Malaysia had enlisted 1876 registered SMEs in Sarawak on their official websites. However, there was no identified registry for internationalised firms in Sarawak. As such, the snowball sampling technique was utilised to aid in identifying more potential participants for the research.

#### **3.4.2.1 Criteria for firm and participant selection**

In order to collect meaningful data to meet the research objectives, firms were recruited based on the following criteria. Firstly, a potential participant firm had to be headquartered in Sarawak as this research focused on firms originating from Sarawak. Secondly, a potential firm had to be an internationalised firm. In this research, an internationalised firm refers to a firm which has expanded its operations beyond its home market through exporting, non-equity entry modes (such as licensing and franchising), strategic alliances (such as joint ventures), acquisitions or the establishment of subsidiaries (Hitt, Ireland, and Hoskisson 2012).

Also, since this research is one of the pioneering studies on the internationalisation of firms from Sarawak, and there was no identified registry of internationalised firms from the area, the research did not focus on firms of a particular size, industry or number of years of existence. This was done to bring out different perspectives of internationalisation among diverse firms to make this research beneficial to various stakeholders of EMF internationalisation.

With regards to potential interview participants for the research, two selection criteria were set in order to collect the right data for this research. Firstly, potential interview participants had to be in a top management position of their respective firms. This is because according to Peterlin, Pearce, and Dimovski (2015), strategic decision-making forms an integral part of the job of strategic/top level managers of a firm. Secondly, potential interview participants had to be involved in the international business operations of their respective firms.

#### **3.4.2.2 Procedure for firm and participant recruitment**

Since there was no identified registry for internationalised firms in Sarawak, potential participant firms for this research were identified through the Career and Alumni

Centre of Curtin University Malaysia, the Chairperson of Industrial Relations of Curtin Malaysia Faculty of Business, and through the researcher's personal contacts. Initially, 31 firms were identified as potential participant firms for this research. These firms belonged to various industries as shown in **Table 3.1**.

**Table 3.1 Identified potential participant firms for the research**

<b>Industry</b>	<b>No. of identified potential firms</b>
Shipbuilding	6
IT	1
Oil Palm	3
Oil and gas	7
Timber	6
Tourism	1
Media	1
Business Consultancy	1
Wood-based furniture	1
Mining	1
Shipping	3
<b>Total</b>	<b>31</b>

E-mails with attached introductory letters (see appendix 1) and participant information forms (see appendix 2) were sent to the firms to invite them to participate in the research. The emails were sent to the firms through their HR departments, secretaries to the CEOs and other identified contact persons for onward forwarding to the appropriate potential interview participants. After follow-up calls and e-mails, 11 of the firms accepted to participate in the research. Based on the criteria given, these 11 firms provided a participant each for the interviews.

Also, five other firms/participants were identified and contacted through the 11 participants in the course of the interviews, that is, they were contacted through snowball sampling. However, a background check on one of the five firms revealed that the firm was headquartered in the UAE, and thus the firm did not meet the criteria for this research. Eventually, the total number of firms, participants and interviews for this research came to 15, which was enough for data saturation to take place. The profiles of the firms and their respective participants are presented in **Table 3.2**.

**Table 3.2 Interview participants and firms' profiles**

<b>Firm name</b>	<b>Industry</b>	<b>Location</b>	<b>Participant name</b>	<b>Position</b>	<b>Number of years with firm</b>
<b>Firm 1</b>	Shipbuilding	Sibu	Participant 1	Director	12
<b>Firm 2</b>	Shipbuilding	Sibu	Participant 2	General manager	9
<b>Firm 3</b>	Tourism	Miri	Participant 3	CEO	8
<b>Firm 4</b>	Tourism	Miri	Participant 4	CEO	33
<b>Firm 5</b>	Media	Miri	Participant 5	General manager	13
<b>Firm 6</b>	IT	Kuching	Participant 6	Director	20
<b>Firm 7</b>	Mining	Bintulu	Participant 7	Operations manager	6
<b>Firm 8</b>	Media	Kuching	Participant 8	Marketing manager	30
<b>Firm 9</b>	Tourism	Miri	Participant 9	CEO	11
<b>Firm 10</b>	Business Consultancy	Kuching	Participant 10	Vice chairman	18
<b>Firm 11</b>	Oil palm	Miri	Participant 11	Manager, commercial operations	11
<b>Firm 12</b>	Oil and gas	Miri	Participant 12	Technical director	13
<b>Firm 13</b>	Oil and gas	Miri	Participant 13	Operations manager	8
<b>Firm 14</b>	Oil palm	Kuching	Participant 14	Administrative manager	22
<b>Firm 15</b>	Wood-based furniture	Miri	Participant 15	Marketing manager	11

From **Table 3.2** it can be observed that ten of the firms belonged to major industries in Sarawak viz. oil and gas, agriculture (oil palm), mining, shipbuilding and tourism, while five firms belonged to minor industries: media, IT, wood-based furniture and business consultancy. Although the timber industry is regarded as one of the most important industries in Sarawak, none of the participating firms in this research belonged to the timber industry. Though the researcher identified and approached six firms from the timber industry as shown in **Table 3.1**, none was willing to participate in the research owing to the downturn in Sarawak's timber industry mentioned in **section 3.3**. It can also be noticed from **Table 3.2** that majority of the firms are headquartered in Miri. This is because the researcher's institution is located in Miri. As such, the firms in Miri appeared to be more willing to participate in the research.

It must also be noted that based on the current definition given by the National SME Development Council in Malaysia, all the participating firms are classified as SMEs, that is, having a sales turnover of between RM 300,000 and RM 50 million and full time employees of between 5 and 200 people for manufacturing firms, and a sales turnover of between RM 300,000 and RM 20 million and full time employees of between 5 and 75 people for the services and other firms (NSDC 2013).

The participants occupied positions such as CEO, Vice chairman and Director of their respective firms, and had been working in their roles between six and thirty-three years.

### **3.4.3 Interview protocol**

General interview questions were prepared prior to the commencement of the interviews (see Appendix 3). The interview questions were mainly formulated around the Five M Framework. This is because according to Fey et al. (2016), the internationalisation strategies of EMFs can broadly be categorised under Motivations, Markets, Modes, Methods and Management (Five Ms). Questions on the constraints firms from Sarawak face in their internationalisation process were also included in the interviews. As highlighted by Jarratt and Fayed (2001), organisational and market constraints have an impact on firm strategies. Thus, answers to the questions on the constraints the firms face provided more insight and understanding into the firms' chosen strategies. Questions on internationalisation constraints were also asked to

provide information and guideline to stakeholders of EMF internationalisation in Sarawak and other markets in their decision-making.

After the interview questions were prepared, they were sent to two experts in the IB field; a native of Sarawak and a foreigner for pre-testing. The questions were pre-tested to ensure their understandability, to determine possible flaws in the questions and to ensure that the concepts in the study are adequately operationalised through the questions (Chenail 2011; Watson, Atkinson, and Rose 2007; Dikko 2016).

An interview guide was also prepared to direct the course of the interviews (see Appendix 4). Interview guides serve as a checklist to ensure that all relevant areas/topics are covered in an interview, assists the interviewer to make maximum use of the available interview time and provides an avenue to interview multiple participants in a more systematic and extensive manner (Patton 2014).

Prior to the interviews, copies of the interview questions were forwarded to the participants to aid them in their preparation towards the interview. The interview questions were sent together with formal consent forms for signing before the interviews (see Appendix 5). However, due to the busy schedules of the informants, the consent forms were mostly signed after each interview session. Two of the participants (Participant 14 and 15) requested to answer through questionnaires because their schedules prevented them from meeting for a face-to-face interview. The interview questions were therefore transcribed into an open-ended questionnaire format and mailed to them (see Appendix 6) together with the consent forms.

A date, time and venue were set for the interviews; usually at the preference and convenience of the participants. The interviews were carried out between the months of August and November 2017. They were held on the premises of the participants' respective firms within the hours of 9am and 4pm. Before the due date for each interview, general information were sourced from the firms' websites to generate a fair idea of their operations.

On the due date of each interview, the researcher arrived about thirty minutes ahead of the scheduled time. This was done to allow the researcher to relax before the interview and to read through the interview questions and guide again to reduce breaks and distractions during the interview. Before each interview begun, the participants were

briefed again on why the research was being carried out and why they were asked to participate. Permission was also sought to audio-record the interview session. All the face-to-face interview sessions were recorded except for one session in which the participant was not comfortable with the interview being recorded (Participant 6). The interview was therefore recorded through note-taking. The interviews lasted between 30 and 66 minutes depending on the verbosity of the participant. After each session, the researcher requested for and collected the firms' available brochures, magazines, flyers and other documents for the purpose of triangulation. The name-cards of the participants were also collected for future follow-ups.

The audio-recorded interview sessions were transcribed verbatim into text format using the InqScribe software within two days after each interview. This was to ensure that the interview process and interaction remained fresh in the minds of the researcher and participants. The interviews summed up to a total of 65 transcript pages. The transcripts were then sent back to the participants for member checking. This was to ensure the validity, credibility and accuracy of the transcripts (Birt et al. 2016). After this process, secondary data from firm websites and other textual documents were sourced to generate further data on the firms and also for the purpose of triangulation (Ellram and Tate 2016; Choi, Cheng, and Zhao 2016). The next section discusses documentary evidence and how they were used in this research.

#### **3.4.4 Documentary evidence**

Usually, interview data are supported with data from other sources to equip the researcher with a holistic collection of information for analysis (Turner 2010). In this research, additional data were collected from documentary sources to support data collected from the interviews. Similar to all other secondary data sources, documentary information are collected for other purposes (Saunders, Lewis, and Thornhill 2012). However, when obtained, they can be examined further to provide different or additional knowledge, interpretation or conclusion (Bulmer, Sturgis, and Allum 2009) relevant to another research or study being carried out.

Documentary sources of data in business research include textual materials such as administrative documents, newspaper articles, journals and magazines; and non-textual materials such as voice and video recordings, pictures and web pages

(Saunders, Lewis, and Thornhill 2012). Due to their shortfalls such as biases and inaccuracies, the most important use of documentary evidence in research is to validate and enhance data acquired from other sources; for instance, verifying the correct spelling of names mentioned in an interview (Yin 2013).

In this research, documentary evidence were sourced from firm websites, annual reports, magazines and flyers. Data from documentary sources were included to generate additional information, to ensure the credibility of data from the interviews and for the purpose of triangulation. For instance, further background checks from the website and magazine of the initial second participating firm revealed that the firm is originally headquartered in the UAE, but has a regional headquarters in Sibuluh which provides services and supplies to clients in Malaysia and neighbouring Indonesia and Singapore. As such, the firm did not meet the criteria for internationalised firms for this research, and was thus taken out. The next section describes how collected data from the interviews and documents were analysed and interpreted.

### **3.5 DATA ANALYSIS AND INTERPRETATION**

Data analysis is the process of systematically finding meanings to data collected in a research (Silverman 2011). Data analysis involves the process of organising and categorising data with the view to meaningfully interpret the data (Maione 1997). The right interpretation of data is revealed when the right questions are asked during the data collection phase and when collected data are analysed properly (Hatch 2002). In qualitative research, analysis refers to explicitly interpreting data by means of specific analytic approaches which transform raw textual data into a new and comprehensible representation or picture of the phenomenon under study (Thorne 2000).

According to Miles, Huberman, and Saldana (2014) and Thorne (2000), the data collection and analysis process should be done concurrently because tentative themes and analytic procedures inform subsequent data collection. In fact, Merriam (2009) holds that data analysis should begin with the very first interview. Although formal analysis in this research was carried out after the data collection phase, initial analysis revealed some pertinent themes which run across the subsequent data collected. There are three main stages in qualitative data analysis according to Miles and Huberman



(1994) and Saunders, Lewis, and Thornhill (2012): data reduction, data display, drawing and verifying conclusions.

Data reduction is the process of classifying, summarising and simplifying data and/or carefully concentrating on specific parts of the collected data (Saunders, Lewis, and Thornhill 2012). An important part of the data reduction process is coding. Miles, Huberman, and Saldana (2014, 83) define coding as “tags or labels for assigning units of meaning to the descriptive or inferential information compiled during a study”. The second stage, data display, is the process of assembling reduced data into an orderly, understandable format to allow the researcher to draw conclusions on the research or move on to the next step of the data analysis process (Miles and Huberman 1994; Saunders, Lewis, and Thornhill 2012). Lastly, the last stage of drawing and verifying conclusions, also called the interpretation stage (Creswell 2013) involves attaching meanings to the data and determining their implications (Creswell 2013; Saunders, Lewis, and Thornhill 2012). Lincoln and Guba (1985) highlights that at this final stage of data analysis, researchers need to answer the question of what lessons are to be learnt from the research they conducted.

In the current research, data coding was done manually using Microsoft word (Ryan 2004; Xu and Storr 2012; Stuckey 2015). **Table 3.3** presents examples of codes assigned to participants’ responses.

**Table 3.3 Examples of codes assigned to participants' responses**

...but for the company it's to do something different in this region, to deal with some different countries to differentiate ourselves from the competitors here. So we are the first shipyard dealing with Russia directly, we're the first one.	Motive/Image enhancement
Another reason why we want to move into the European market is also for us to know more innovative designs...we can also learn something from that region to bring back into this region	Motive/Learning opportunities
Running an international office is very expensive. We won't establish an office even in neighbouring Brunei or Singapore, the cost will be too much for us. That is why we partner with other travel and tour companies in other countries...	Mode/Strategic alliances
Vietnam is actually a big market for shipbuilders but due to communication barrier it's very hard to do business with them. That is why we haven't gone there yet.	Constraint/Communication barriers

Different colors were assigned to the sections of the transcripts which reflected the Five Ms and constraints faced by the firms, which were the main themes in the research. Annotations were made in the margins to note down the emerging sub-themes within the main themes (Five Ms and constraints) (Feza 2015). Snapshots of sections of the coded data are provided in Appendix 7.

Next, the reduced data was displayed thematically. According to Braun and Clarke (2006), analysing data thematically helps to produce a rich and comprehensive account of complex data. This is because the different perspectives of various interview participants are thoroughly examined, which reveals the similarities and differences in their opinions, as well as generates unexpected insights into the subject under study (King 2004). A thematic analysis approach was chosen for this research also because it aids in summarising the key concepts of a large data set which in the long run produces a clear and orderly report (King 2004; Nowell et al. 2017). Afterwards, the displayed data was interpreted in the light of existing literature.

### 3.6 TECHNIQUES TO IMPROVE RIGOUR OF THE RESEARCH

A major concern in using qualitative research methods is how to prove the rigorousness of the research, and how qualitative research methods generate plausible and defensible conclusions (Gioia, Corley, and Hamilton 2013). Several techniques were applied in this research to improve its rigour.

To improve the credibility of the research a purposive sampling technique was used (Barbour 2001). Purposefully selecting top managers involved in the international operations of participant firms ensured the collection of credible data for this research. Multiple sources of data collection, which ensured the triangulation of data sources and allowed for convergent lines of inquiry (Denzin and Lincoln 2006) also contributed to the credibility of the research. Also, audio-recording the interviews (Lincoln and Guba 1985), carefully transcribing them and sending them back to the participants for member checking (Houghton et al. 2013) were also steps taken to ensure the credibility of this research.

To enhance the transferability of this research, interview participants of this research were sampled from various industries and sectors. This allowed for the findings of this research to address a larger audience (Gioia, Corley, and Hamilton 2013). Also, to enhance the transferability of this research to similar settings, a rich description of the sampling method employed in the research was provided in **section 3.4.2** of this research.

Apart from ensuring the credibility of the research, the collection of data from multiple sources also helped to demonstrate the dependability or consistency of this research (Lincoln and Guba 1985). Lincoln and Guba (1985) also suggested the audit trail as a means of ensuring the research dependability. Tactics used to ensure the dependability of this research included the creation of an interview protocol and an interview database. The interview protocol includes the guidelines which direct the administration and execution of the interviews (Boyce and Neale 2006). The protocol was applied to each interview to ensure consistency in this research. The interview database consists of audio-recordings of the interviews, interview transcripts and documents collected during the research

Again, collecting data from multiple sources helped to ensure the confirmability of the research. Data triangulation was also utilised in this research to cross-reference and

support the objectivity of findings by revealing their consistency and convergence of meaning (Miles and Huberman 1994). The member-checking tactic employed in this research to ensure that participants' responses in the interviews tallies with the interview transcripts was also done in a bid to improve the confirmability of this research.

### **3.7 ETHICAL CONSIDERATIONS**

A very crucial aspect of any research project is taking into consideration any ethical issues that may arise during the course of the research (Hesse-Biber and Leavy 2010). Ethical issues in research are widespread, and they must be considered throughout the research process (Creswell 2013). As highlighted by Atkins and Wallace (2012, 30), “an ethical approach should pervade the whole of your study”. Specifically, Creswell (2013) explains that ethical issues may arise before the commencement of the research, at the beginning of the research or during the collection, analysis and reporting of data, and they must be duly addressed.

In accordance with the regulations on human research at Curtin University, ethical clearance was sought before the commencement of data collection. A proposal which contained a summary of the research, how interview participants will be recruited, how data will be collected, interpreted and stored was prepared and used in the ethical clearance application. Also, assurance of the safety of participants, the freedom of participants to withdraw from the research at any point in time and a guarantee of the anonymity of participants throughout the research was given during the application for ethical clearance.

After careful consideration by the Human Research Ethics Office and some amendments made to the proposal, the research was declared low risk, and was given ethical clearance approval number HRE2017-0461 (see Appendix 7). As a result, all the potential interview participants were provided with Participant Information Forms which contained details of the research, its significance and why they were being invited to participate in the interviews. The participants were also provided with Informed Consent Forms, which among other things stated that the interviews will be audio recorded. However, at the beginning of each interview, permission to record the session was sought again from the participants. Interview participants and their

respective firms were given matching code names during the reporting of collected data to ensure anonymity.

To maintain the integrity of collected data, the data were securely managed and stored; only the researcher and supervisors can have access to the data (Miles and Huberman 1994). Hard data are securely stored in a locked cabinet on Curtin Malaysia campus, while soft data are being stored in a password-protected personal computer with back-up copies on Curtin Malaysia's server and on an external hard disc.

### **3.8 REFLEXIVITY**

Fontana (2004) describes reflexivity as one of the pillars of critical qualitative research. According to Parahoo (2006), reflexivity is the continuous reflection by a researcher on his or her values, behaviour or presence and those of the study's participants which might have an effect on the interpretation of responses. Reflexivity extends the understanding of how the positions and interests of researchers affect all stages of the research process, and thereby enhances the quality of research (Primeau 2003), as well as its credibility (Jootun et al. 2009). Below are the reflexive thoughts of the researcher with respect to the current research.

Firstly being a foreigner, the researcher faced difficulty in identifying internationalised firms and potential research participants since there was no identified registry of internationalised firms in Sarawak. Also, due to the collective and close-knitted nature of Sarawak and Malaysia as a whole, the researcher found the need to rely on personal networks to secure interviews and to gain access to participants. For this reason, the researcher relied on the Career and Alumni Centre of Curtin University Malaysia, and on personal contacts to identify potential interview participants for the research. Also, the researcher utilised the snowball sampling method in order to increase the number of interview participants for the research (Mooi, Sarstedt, and Mooi-Reci 2018; Noy2008).

Secondly, being a foreigner was a factor that might help the researcher to view the internationalisation of firms from Sarawak from a fresh and new perspective, but also posed the challenge of potentially blocking the researcher from fully understanding the perspective of the interview participants. For this reason, interview transcripts were sent back to participants for member checking (Birt et al. 2016), and data was sourced

from documentary sources to help the researcher in gaining more insight and understanding into the data collected from the interviews (Bulmer, Sturgis, and Allum 2009; Yin 2013). Also, one of the research supervisors for this study, a native of Sarawak, guided the researcher in interpreting collected data from the perspective of the interview participants.

Lastly, the busy schedule of two managers who were willing to participate in the research posed as a threat to collecting enough information for this research as they could not meet for a face-to-face interview. For this reason, the interview questions were transcribed into a semi-structured questionnaire format and mailed to them for completion. This approach was also utilised by Islam, Ali, and Sandhu (2011) due to the unavailability of some interview participants for a face-to-face interview.

### **3.9 CHAPTER SUMMARY**

This chapter thoroughly discussed the methodology employed in answering the research questions. The research paradigm, participant sampling method and interview protocol were some of the topics discussed in this chapter. Also, the study context was presented and justified in this chapter. The next chapter presents and discusses the research findings.

## **CHAPTER FOUR**

### **FINDINGS AND DISCUSSION**

#### **4.1 CHAPTER OVERVIEW**

The previous chapter discussed the methodology employed in this research. This chapter discusses the findings sourced from the interviews and documentary evidence to answer the three research questions. Findings and discussion are combined into a single chapter in this research to facilitate easier understanding of the findings and comparison with the literature. The chapter is structured according to the three research questions and discussed in themes. A short summary on the findings of each of the research questions is provided after the thematic discussions. This chapter begins with findings and discussion of Research Question 1 in the next section.

#### **4.2 RESEARCH QUESTION 1: WHAT ARE THE INTERNATIONALISATION STRATEGIES OF EMFs FROM SARAWAK?**

The aim of the first research question was to determine the triggering factor(s) of internationalisation among firms from Sarawak, their preferred international markets, the structural agreements used to enter into those markets and what they do to sustain their international operations. Fey et al. (2016) found that the internationalisation strategies of EMFs can broadly be categorised under 5 main headings: Motivations, Markets, Modes, Methods and Management (Five M Framework). Due to the comprehensiveness of this framework, interview questions in this research were framed around these 5 categories. However, after interactions with managers of internationalised firms, it was found that the internationalisation strategies of firms from Sarawak can be explained and classified under 3 main themes: (i) Motivations and Markets, (ii) Modes, and (iii) Measures. Each of these main themes had some identified sub-themes as presented in **Table 4.1**. The themes and sub-themes are discussed in the subsequent subsections.

**Table 4.1** Findings for RQ1 in themes and sub-themes

<b>Main theme</b>	<b>Sub-theme</b>
1) Motivations and Markets	<ul style="list-style-type: none"> <li>• Market development</li> <li>• Image enhancement</li> <li>• Leveraging on Malaysian government's economic and institutional policies</li> <li>• Technical and operational learning opportunities</li> </ul>
2) Modes	<ul style="list-style-type: none"> <li>• Exportation</li> <li>• Strategic alliances</li> <li>• Establishment of subsidiaries</li> <li>• E-commerce</li> </ul>
3) Measures	<ul style="list-style-type: none"> <li>• Due diligence</li> <li>• Certification and association with reputable institutions</li> <li>• Smart staffing for internationalisation</li> <li>• Supply chain management initiatives</li> <li>• Customised production</li> </ul>

#### **4.2.1 Motivations and Markets**

This section discusses the motivations (why) and markets (where) of internationalisation among firms from Sarawak. The two categories are discussed together in this research because it was found that the international market choices of firms from Sarawak are directly influenced by the motives to internationalise. From the interviews, it was revealed that the firms were influenced to extend internationally by both internal (push) and external (pull) factors. The identified push factors were market development and image/brand enhancement, while the pull factors were leveraging on the Malaysian government's economic agreements and provisions, and the possibility of acquiring technical and operational knowledge from international expansion. Due to these motives, the firms had ventured into nearer and farther, as



well as advanced and emerging countries as shown in **Table 4.2** Each of these motives as well as their resultant international markets are elaborated below.

**Table 4.2** The years, motives and markets of internationalisation of the firms from Sarawak

<b>Firm name</b>	<b>Year established</b>	<b>Year of First international market entry</b>	<b>Motive(s)</b>	<b>First International market</b>	<b>International markets</b>
<b>Firm 1</b>	1998	2005	Market development	Indonesia	Indonesia, Australia, Singapore, Philippines
<b>Firm 2</b>	1994	2002	Market development, Image enhancement, Learning opportunities	Singapore	Indonesia, Singapore, Australia, UAE, Panama, Nigeria, South Africa Russia, Qatar
<b>Firm 3</b>	2010	2013	Market development, Risk diversification	Taiwan	China, Taiwan, Hong Kong, Indonesia, Thailand, Singapore, Brunei
<b>Firm 4</b>	1985	2002	Market development	Singapore	Thailand, Indonesia, UK, Belgium, Netherlands, Australia, USA, Singapore
<b>Firm 5</b>	2004	2011	Market development	Singapore	Brunei, Singapore
<b>Firm 6</b>	1991	1999	Market development	Brunei	New Zealand, South Africa, Tanzania, Cambodia, Bangladesh, Philippines, Papua New Guinea, Oman, Qatar, Brunei

<b>Firm name</b>	<b>Year established</b>	<b>Year of First international market entry</b>	<b>Motive(s)</b>	<b>First International market</b>	<b>International markets</b>
<b>Firm 7</b>	2010	2012	Market development	China	China, South Africa, Japan, Korea, Turkey, USA
<b>Firm 8</b>	1979	1983	Market development	Brunei	Brunei, Indonesia
<b>Firm 9</b>	1997	2003	Market development	Australia	Australia, China, South Korea, Taiwan
<b>Firm 10</b>	1993	2007	Market development	China	China, Vietnam, Singapore, Myanmar, Indonesia, Cambodia
<b>Firm 11</b>	1968	2010	Market development	Singapore	India, South Africa, China, Singapore, Europe
<b>Firm 12</b>	1985	2000	Market development	Indonesia	Brunei, Indonesia, Thailand, Tonga
<b>Firm 13</b>	2001	2007	Market development, Image enhancement	Singapore	Thailand, Singapore, Myanmar, Indonesia, UK
<b>Firm 14</b>	1962	1969	Market development	Germany	Japan, Germany, China, India, New Zealand, South Korea,
<b>Firm 15</b>	1996	2002	Market development	Japan	USA, Australia, Japan, Singapore, Vietnam, Indonesia, Thailand

#### **4.2.1.1 Market Development**

From **Table 4.2**, it can be noticed that the main reason to internationalise among the firms in this research is the market development motive, that is, to seek for a larger market for their products/services. This motive is in tandem with the market- seeking motive in Dunning (1993) and Dunning and Lundan's (2008) four-way classification

of internationalisation motives. As such, the firms from Sarawak had invested in supplying their goods or services to other regions or countries outside the boundaries of Malaysia with the view to explore and exploit new terrains for their businesses. As explained by Participant 1:

Our reason for engaging in international business is to broaden our market for more customers, the reason is to get a larger market for our products.

Current literature pinpoints at several reasons out of which the market development motive to internationalisation could arise. These include the need to switch to a less competitive market to overcome saturation in the home market, the need to increase the firm's sales and market share and the need to follow suppliers, clients or competitors who have successfully ventured abroad (Neumair, Schlesinger, and Haas 2012; Pananond 2008). However, for the firms from Sarawak, this motive arises from the need to expand their market sizes which translates into higher margins as expatiated by Participant 2 in his statement below:

The main reason is for us to do business and when we deal internationally then it means we have better margin. At the end of the day it is still business. Business is for you to get good profit and sustain your yard and your life.

This statement is in agreement with the findings of the UNCTAD in their global survey of developing country firms, where 51% of their respondents confirmed the market-seeking motive as the most significant internationalisation motives among firms from these areas (UNCTAD 2006). It also supports the assertion of Luo, Xue, and Han (2010) that market-seeking is a key motive behind the internationalisation of EMFs.

With the motive to increase market size and subsequently profit, Participants 10, 12 and 14 opine that population size, proximity, cost of production, exchange rate, economic growth and volatility are factors to look out for in a potential market. This explains why the firms have mostly expanded into the closer, highly populated countries as evidenced from **Table 4.2**.

From **Table 4.2**, it can be observed that the firms have mostly expanded into ASEAN member countries, with Firms 1 and 12 beginning their international expansion in Indonesia. According to the World Bank (2016a), taken as a single entity, the ASEAN, with a combined population of about 639 million people is the third largest market in

the world after China and India. Indonesia alone has a population of about 261 million people, making it the fourth largest market in the world after China, India and the USA.

Indonesia was our first international market. The reason was because it is a big market. It has a huge population. Indonesia is one of the countries with the largest populations in the world, after India and China or so. It is still our biggest international market (Participant 12).

Participant 12's statement signifies that the population size of the ASEAN and other Eastern Asian countries is big enough to support the market development internationalisation motive of firms originating from Sarawak. Hence, the firms do not necessarily have to extend into farther off countries since their expectations from international expansion can be met in countries close by. This preference of highly populated markets among firms from Sarawak affirms the observation made by Moghaddam et al. (2014) that firms with the market-seeking motive of internationalisation are attracted to countries with large population sizes.

Apart from the large population size, the firms from Sarawak are also attracted to closer countries due to the relatively shorter psychic distance which translates into lower investment costs to meet their profit-making, market development internationalisation motive. As observed by Vermeulen and Barkema (2001), when a firm internationalises into psychically distant countries, its costs are increased because it resorts to various sources of gathering information on that market. This cost is comparatively higher for SMEs and EMFs because they usually lack resources such as internationally trained staff or the financial resources to engage professional consultancy services (Majocchi, Dalla Valle, and D'Angelo 2015). However, according to the concept of psychic distance projected by the Uppsala Model, geographically closer countries usually tend to have similar cultural, educational, legal, industrial and administrative systems which make it easier for firms to understand the business environment of such closer markets. As such, for the firms from Sarawak, the cost involved in gaining knowledge on the ASEAN and Eastern Asian countries are significantly reduced, which increases the profits derived from investing in those countries.

Participant 3 also raised another aspect of cost in explanation to why the firms from Sarawak have mostly expanded into other Asian countries:

At the moment we are still looking into the European market. The cost of investment in Europe is quite high because of the high currency conversion rate. The conversion rate is lower in other Asian countries that's why we want to operate here for some time before going to Europe. So maybe next year, or let me say next two years we will be focusing on Europe and other markets like Australia and New Zealand.

Like Malaysia, most of the ASEAN and Eastern Asian countries that firms from Sarawak have internationalised into have been classified as emerging markets. As mentioned previously, these countries have comparatively similar administrative and institutional systems as Malaysia. This suggests that the conversion rates between the Malaysian Ringgit and the currencies of these preferred international markets are much lower as compared to the rates of farther, more advanced economies. Hence, from the profit-making, market development perspective, it is much more prudent for the firms from Sarawak to expand into closer countries since their investments costs are reduced due to the relatively lower conversion rates.

Apart from the relatively higher cost of gathering information and conversion rates, Benito (2015) suggested that the distance between an internationalising firm's home and target markets translate into higher management and transportation cost. With the profit-making view to market development, it is more efficient and financially prudent for the firms from Sarawak to internationalise into these psychically closer countries, especially when the countries can provide a large market size to meet their internationalisation motive.

The initial and vast internationalisation of the firms from Sarawak into closer countries supports Puffer et al. (2013)'s assertion that it was more advantageous for EMFs to initially expand into other emerging markets. Chiefly amongst such emerging markets are those which are culturally, geographically and institutionally comparable to their domestic markets. This affords the firms the opportunity to gain some international business knowledge and skills, and to "test the ground" before expanding into the more challenging developed markets.

#### **4.2.1.2 Image enhancement**

The other push internationalisation motive to internationalise among firms from Sarawak was to enhance their images in their respective industries, that is the need to

do something different to set themselves apart and ahead of their competitors. Participant 2 explains how Firm 2 sought to differentiate itself from its competitors through internationalisation:

...but for the company of course it's to do something different in this region, to deal with some different countries to differentiate ourselves from the competitors here. So we are the first shipyard dealing with Russia directly ....and we are among the first few shipyards from here to deal directly internationally.

Participant 2 mentioned of his firm being the first among their competitors to extend into Russia. As already mentioned in the previous section and shown in **Table 4.2**, the firms from Sarawak have mostly internationalised into the ASEAN and other Eastern Asian countries which are psychically closer to Malaysia. Extending into a farther, relatively more advanced market such as Russia is more costly and difficult. The difficulty arises from the perception that the products or services from firms originating from emerging or less developed countries are of low quality (liability of country of origin). As such, for a firm headquartered in Sarawak to be able to extend its operations into such a market means that it must be doing something right or “special” which its competitors are not doing. This therefore boosts the firm’s image and serves as a differentiation factor among its competitors. Indeed due to the differentiation characteristic of internationalisation highlighted by Participant 2, Firm 2 has included its international business operations in its profile in the firm’s brochure and website, which can be read by potential local and international clients. Participant 13 shares similar views as Participant 2 and highlights how internationalisation helps in projecting a firm’s image in its industry:

...and also if your brand goes international everybody will know you. Then it's a very good thing because definitely people will come to you instead of a small company which only deals locally.

From Participant 13’s statement, it can be seen that internationalisation serves as a source of competitive advantage for firms in an industry by giving it a “big image” among its competitors. This enhanced image can attract more clients in the long run which will translate into higher margins for the firm.

It can be concluded that the firms in this research, which have been classified as SMEs use international expansion as a means of enhancing their image and gaining competitive advantage in their various local industries. This can be attributed to the current highly competitive, complex and chaotic business environment which makes it imperative for firms to adopt differentiation strategies which set them apart from their competitors (Frederiksen 2017).

The image enhancement motive to internationalise found among the firms from Sarawak is not reflected in the popular four-way internationalisation motives postulated by Dunning (1993) and Dunning and Lundan (2008): market-seeking, resource-seeking, efficiency-seeking and strategic asset-seeking motives. Since the four-way internationalisation motives were crafted based on studies on DMMs, this motive to internationalise found among the firms from Sarawak gives credence to the findings of Thite et al. (2016), Pananond (2015) and Gaur and Kumar (2010) that EMFs internationalise for reasons different from DMMs.

#### **4.2.1.3 Leveraging on Malaysian government's economic and institutional policies**

The existence of certain economic partnerships and institutional provisions by the Malaysian government serves as a pull factor which motivates firms from Sarawak to extend their operations abroad. For instance, Firm 3 took advantage of the Malaysian government's policies and provisions to extend its services to international clients as explained by Participant 3:

The main purpose for establishment of my company was car rental, not travel and tour...in Malaysia the license for travel and tour is the same for car rental. If you want to do car rental you have to buy a travel and tour license. That was how I started my travel and tour business. My main market is the tourists from overseas. It has helped me to diversify my business and keep it going.

An important point to note in Participant 3's statement is taking advantage of the government's provisions to diversify the entrepreneur's business at no additional cost, which has subsequently helped to diversify the risk of the business owner(s). Dau (2012) holds that establishing and doing business in an emerging market is a risky venture due to rapid changes in the business environment and other unforeseen events. Hence, like Firm 3, it is only prudent that the management of EMFs, and particularly

SMEs take advantage of such institutional provisions (if they exist) to not only broaden the market of the firm but to spread the risk of doing business across different markets.

This motive to internationalise among the firms in this research can also be evidenced in the choice of markets the firms have expanded into. Apart from proximity which translates into lower investment costs, economic agreements between Malaysia and other eastern and south-eastern Asian countries is another factor which attracts firms from Sarawak to heavily invest in this region. Examples are the Common Effective Preferential Tariff (CEPT) among the 10 member states of ASEAN which applies a 0-5% tariff rate on goods manufactured in the region (ASEAN 2016) and the ASEAN-China Free Trade Area (ACFTA) which deals with behind-the-border inhibitions to the flow of goods and services, and reduces tariffs on about 90% of imported goods between ASEAN and China to zero (ASEAN 2015). Also, the Comprehensive Economic Cooperation Agreement (CECA) between Malaysia and India was implemented to foster an increase in trade in goods, services, investments and economic cooperation between the two countries. In this agreement, there are faster timelines and reduced exclusion lists in traded goods (than the ASEAN-India Trade in Goods Agreement), a liberalisation in the trade of services on a preferential basis, promotion of investment between the two countries and economic cooperation in areas such as tourism, SMEs, business facilitation and human resource development (ARIC 2011).

Although countries like Australia, New Zealand and USA are farther, more developed and psychically distant from Malaysia, it can be observed from **Table 4.2** that Firms 1, 2, 4, 6, 7, 9, 13, 14 and 15 have business operations in those markets. Again, this could be attributed to the existence of economic agreements such as the Trans-Pacific Partnership Agreement (TPPA). The TPPA was signed in 2015 by 12 countries- Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, and Vietnam- for the purpose of enhancing trade activities among the member states and serving as a platform for regional integration (USTR 2015). However, following the exit of the United States in 2017, the remaining 11 members continue to trade among themselves under a revised agreement called the Comprehensive Progressive Agreement for Trans-Pacific Partnership (CPTPP).



This motive of leveraging on governmental economic and institutional policies to internationalise among the firms constitutes an aspect of Dunning's efficiency-seeking motive. On the part of firms originating from Sarawak, they had expanded outside their home market in order to take advantage of institutional arrangements and economic policies with the view to broaden their markets at reduced costs and to diversify their risks.

#### **4.2.1.4 Technical and operational learning opportunities**

Another pull factor which motivates the firms from Sarawak to extend to the international market, especially the more advanced markets is the opportunity to gain technical knowledge from those markets. This is particularly a motive to internationalise among the firms belonging to Sarawak's technical-intensive industries such as shipbuilding, mining and, oil and gas. For instance, Participant 2 confirmed that the management of his firm plans to extend the firm's operations into the European market. He highlighted the possibility of gaining knowledge as one of the reasons why they wish to enter into that market:

Another reason why we want to move into the European market is also for us to get to know more innovative designs...when there's the chance for us to sell into the region, we can also learn a lot more about the countries and their designs. We can learn something from that region to bring back into this region.

The European market, as mentioned by Participant 2 does not only mean countries from the continent of Europe, but in this context, widely signifies advanced markets. Firms from advanced countries have engaged in international business for centuries now, and have over the years amassed a wide spectrum of technical, managerial and operational experiences which serve as ownership advantages for them. EMFs traditionally compete on the global marketplace from a relatively disadvantaged starting point due to the lack of some of these competences. As such, engaging in business activities in advanced markets such as Germany, USA, Australia, Netherlands, UK, Japan and New Zealand as nine of the firms in this research are doing affords them the opportunity to interact with firms from those markets and gain advanced technical knowledge. Implementing the knowledge gained in their operations can help them to become more competitive locally and globally.

The knowledge-seeking internationalisation motive found among firms from Sarawak supports the findings on a study conducted on the relationship between location choice and the knowledge-seeking internationalisation motive among EMFs in the European Union (EU) countries. In the aforementioned study, Jindra, Hassan, and Cantner (2016) concluded that EMFs use internationalisation as a means to acquire knowledge and other assets to augment their ownership advantages

The knowledge-seeking motive of internationalisation found among firms from Sarawak is not captured by the traditional internationalisation motives postulated by the popular framework by Dunning (1993) and Dunning and Lundan (2008). This motive also points to the argument that EMFs' internationalisation motives are different from those of DMMs (Thite et al. 2016; Gaur and Kumar 2010; Pananond 2015).

#### **4.2.2 Modes**

The current section discusses how the firms from Sarawak have entered into their chosen international markets. According to Hitt, Ireland, and Hoskisson (2012), the main international market entry modes are exporting, non-equity entry modes (such as licensing and franchising), strategic alliances (such as partnerships and joint ventures), acquisitions or the establishment of subsidiaries. For firms from Sarawak, their preferred international entry modes were found to be exporting, strategic alliances, establishment of subsidiaries and e-commerce. As depicted in **Table 4.3** the firms adopt a combination of entry modes for their international operations. The international entry modes adopted by the firms in this research are discussed further in the ensuing subsections.

**Table 4.3** International entry mode choices of firms from Sarawak

<b>Firm Name</b>	<b>Preferred International entry mode(s)</b>
<b>Firm 1</b>	Export, Strategic alliances, E-commerce
<b>Firm 2</b>	Export, Strategic alliances, E-commerce
<b>Firm 3</b>	Strategic alliances, E-commerce
<b>Firm 4</b>	Strategic alliances, E-commerce
<b>Firm 5</b>	Subsidiaries
<b>Firm 6</b>	Strategic alliances
<b>Firm 7</b>	Export
<b>Firm 8</b>	Subsidiaries
<b>Firm 9</b>	Strategic alliances, E-commerce
<b>Firm 10</b>	Strategic alliances, Subsidiaries, E-commerce
<b>Firm 11</b>	Export, Subsidiaries
<b>Firm 12</b>	Strategic alliances
<b>Firm 13</b>	Strategic alliances
<b>Firm 14</b>	Export
<b>Firm 15</b>	Export

#### 4.2.2.1 Exportation

From **Table 4.3**, six firms (Firms 1, 2, 7, 11, 14 and 15) have used exportation as a mode to reach the international market. The aforementioned constitute the non-service firms in this research. Interactions from the participants from these firms revealed that they usually began their internationalisation through indirect exporting that is, exporting through intermediaries or middlemen.

Actually we needed brokers because they are in the market and they have first-hand information on the market. At that point in time we were new players in the international market...they were able to introduce us to very solid buyers. The margin was not that good but at least we just wanted to try to reach the international market at that point in time (Participant 11).

The cost of gathering market information is one of the major costs incurred by EMFs, especially at the beginning stages of their internationalisation (Majocchi, Dalla Valle, and D'Angelo 2015). Participant 11's statement above suggests that his firm was able

to eliminate the cost of gathering information on a target market by exporting through middlemen. Also, from his statement, it can be deduced that the firm's internationalisation was fast-tracked due to the elimination of the time and cost involved in gathering market information. Other benefits included the elimination of risk of default since the middlemen, through their knowledge of the target market introduced the firm to credible buyers. Indirect exporting therefore helped to protect and stabilise the firm at its beginning stages where it was vulnerable in engaging in internationalisation.

However, from the interviews, the firms after some time switched to exporting directly to their clients in the international markets. One of the accounting factors for this switch is the reduced margin involved in indirect exportation as mentioned in Participant 11's statement above. The reduced margin is as a result of the middlemen taking a percentage of the profit derived from the sale. Participant 2 described how a reduction in profit and other reasons caused his firm to switch to direct exportation:

We export directly now because when we export through brokers they have their mark-up or commission which reduces our margin...and during these deals we face a lot of problems with miscommunication because the brokers are not technical enough, they are just traders...so they don't look into detail at the technical stuff.

Apart from the reduction of margins, Participant 2's statement highlights miscommunication and lack of technical knowledge on the part of middlemen as other shortfalls when it comes to indirect exportation. Miscommunication and lack of technical knowledge can lead to errors or poor service quality, which can eventually mar the relationship between the firm and their international client(s).

In answering the question on why her firm chose to engage in direct exportation, Participant 14 elaborated that direct export gives them "direct contact with foreign clients in order to serve them better". This shows that the problem of miscommunication can be eliminated through direct export because of the direct contact the firm makes with their clients.

For Firms 1, 2 and 7, it can be deduced that another reason why they switched to direct exportation, especially to advanced markets is that they engage in internationalisation to seek for technical and operational learning opportunities as discussed in **section**

**4.2.1.4.** This is because according to Egan and Mody (1992), firms which engage in direct exportation have a learning-by-exporting opportunity which helps them to improve their performance, cost-cutting technologies and profit-boosting product designs through buyer-seller relationships. Indirect exporters therefore lose out in this opportunity.

Thus, it can be concluded that it is safer, faster and more convenient for EMFs, especially SMEs to engage in indirect exportation at the beginning stages of their international expansions. However, direct exporting is more profitable and allows EMFs to exercise more control over their international business activities as well as offers them the opportunity to learn from other firms, especially in advanced markets to improve their operations.

#### **4.2.2.2 Strategic alliances**

Strategic alliances were found to be the most utilised international entry mode among the firms in this research. These are business network relationships which are mutually beneficial to the firms involved. From **Table 4.3**, nine firms (Firms 1, 2, 3, 4, 6, 9, 10, 12 and 13), which represent 60% of the firms studied in this research have expanded internationally through the formation of business partnerships and other strategic alliances. These nine firms cut across Sarawak's major industries (shipbuilding, tourism, and oil and gas) as well as minor industries (IT and business consultancy). Seven out of the nine firms belong to the service sector (Firms 3, 4, 6, 9, 10, 12 and 13) and two of the firms belong to the non-service sector (Firms 1 and 2). Also, Firm 3 can be classified as a born global firm since it started its internationalisation within three years of its existence.

The wide acceptance of strategic alliances among the firms from Sarawak belonging to diverse industries, sectors and age groups underscores the conclusion of some proponents of the Internationalisation Network Model. Proponents of the aforementioned model such as Sullivan Mort and Weerawardena (2006) and Andersson, Evers, and Gliga (2018) believe that although the formation of business networks are beneficial to firms of all sizes, networks are more beneficial to born global firms and SMEs because of their resource constraints (Hermannsdottir 2008; Sullivan Mort and Weerawardena 2006; Andersson, Evers, and Gliga 2018).

For the firms from Sarawak, one of the ways they have benefitted from strategic alliances is the reduction of the cost involved in expanding into certain international markets as expounded by Participant 2:

And just recently we have started building two vessels in the UAE. We have a partner shipyard in UAE. Having partners in different places is good for every business which wants to venture into the international market; it reduces costs. Let's take for example if we build here (Sarawak), and someone wants to buy from Europe from us, then delivery charge will be expensive compared to if we build in a place like UAE and deliver to a customer in Europe.

Apart from the reduction of costs such as delivery charges as highlighted by Participant 2, Participant 4 weighed the cost involved in an entry mode such as the establishment of subsidiaries and elaborated on why his firm prefers a less costly and effective mode such as the formation of partnerships to reach the international market:

Running an international office is very expensive...that is why we partner with other travel and tour companies in other countries. We benefit from each other; they do outbound from their countries we receive as inbound, we do outbound from Malaysia they receive as inbound...we don't have to establish an office in other countries so it lessens our cost.

As already stated in previous sections, one of the greatest costs incurred by EMFs in their internationalisation is the cost of gathering information on their potential market. One of the ways through which the firms from Sarawak have minimised this cost is by using partnerships as an international market entry mode.

We believe in partnerships so everywhere we go, we want to partner with the local companies there. Because if we go alone, they won't accept us so easily. The learning curve is too steep because you do not know the culture...but when you work with a partner, a good partner, it actually helps a lot. They can help you to quickly learn about the market and how to go about things there (Participant 10).

Apart from the reduction in the cost of gaining knowledge on a target market, other benefits of strategic alliances deduced from Participant 10's statement is the fast-tracking of his firm's expansion in that target market since the management of the firm spends less time trying to understand the market. The part of Participant 10's statement which suggests that a firm's products or services are easily accepted when

internationalisation is done through the formation of strategic alliances hints that the double constraint of liabilities of foreignness and country of origin, which most EMFs face in their internationalisation (Thite et al. 2016) can be minimised through the formation of strategic alliances, especially when the internationalising firm partners with credible firms in the EMF's target market.

It can be observed that the firms in this research have fallen on their business networks to reduce the time required for gaining experiential knowledge on their target markets. Some of the firms have also relied on their networks to begin their internationalisation from psychically distant countries, example, Firm 9 beginning its internationalisation in Australia. This is contrary to the tenets of the Uppsala Model (Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne 1977) which was propounded based on how DMMs internationalise. Gaining experiential knowledge before internationalising as postulated by the Uppsala Model might therefore not be representative of how EMFs internationalise in today's market context.

It can also be observed that the firms have relied on their networks for aspects of their production, thus the firms have not fully internalised their production in their internationalisation process, which is contrary to the Eclectic theory (Dunning 1977). Internationalisation through strategic alliances employed by the firms from Sarawak point to the importance of networks in international expansion as postulated by the Internationalisation Network model and supports the conclusion drawn by Lin and Lin (2016) which highlighted that the formation and maintenance of rich business relationships among entrepreneurs is increasingly becoming a key tool for international expansion and confrontation of competition among SMEs.

Apart from the benefits to be derived from the formation of strategic alliances in their internationalisation, the wide acceptance of strategic alliances by firms from Sarawak can also be explained from a cultural perspective. According to Hofstede Insights (2018), Malaysia has a low score of 26 out of 100 in terms of individualism in Hofstede's Cultural Dimensions Theory as at 2018. This indicates that Malaysia is a highly collective society. The choice of strategic alliances as an internationalisation entry mode by a majority of the firms is therefore a reflection of the collective nature of the Malaysian society.

#### 4.2.2.3 Subsidiaries

From the interviews, four firms (Firms 5, 8, 10 and 11) have expanded internationally through the establishment of wholly-owned subsidiaries as previously shown in **Table 4.3**. In the four-staged establishment chain of the Uppsala Model, the establishment of an overseas subsidiary is regarded as the highest form of international expansion which only occurs when the management of a firm are convinced they have adequate information on their target market. Benito (2015) highlights that establishing an international subsidiary is costly and comparatively riskier, as such, firms prefer other entry modes unless it is highly necessary to establish an overseas subsidiary. This explains why the establishment of subsidiaries is adopted by a minority of the firms and is the least popular internationalisation entry mode among the firms from Sarawak. In terms of necessity Participant 8 explained that per the nature of his firm's industry, the establishment of a subsidiary was a necessary mode of entry:

Because of the nature of the industry (media). The industry is such that you have to be with the people to get the news. We cannot sit in Sarawak or Malaysia and report news on Brunei. That is why we established our office there. And Brunei is close by anyway so we don't have much problems overseeing the office.

Apart from highlighting that the nature of a firm's industry can naturally call for a particular entry mode, Participant 8's statement also underscored the importance of the concept of psychic distance postulated by the Uppsala Model. Firms 5, 8, 10 and 11 have subsidiaries in Singapore, Brunei, China and Singapore respectively. These are countries which are both geographically and psychically closer to Malaysia. In such psychically closer markets, uncertainties and costs of gathering information and investments are minimal (Rundh 2015), which is therefore beneficial for EMFs and SMEs like the firms in this research because of their resource constraint. Participant 10 also expounded on the reasons why his firm established subsidiaries in China:

We have four offices in China...we established those offices so that we can get closer to our clients there. Getting closer to them helps us to serve them better. It also makes our company more credible to them...we have plans to enter into Taiwan and other countries in the near future. Hopefully, we will be serving them through our offices in China since China is closer to them than Malaysia.



EMFs face the constraint of liability of country of origin, which emanates from the negative perceptions people have that their products are of lower quality (Maghrour 2010; Moeller et al. 2013). Consequently, it becomes difficult for EMFs to market and sell their products internationally, especially in developed markets. Although it is generally costly and risky to establish international subsidiaries, it can be deduced from Participant 10's statement above that apart from benefits such as getting closer to their international clients, the minority of firms in this research which have adopted the establishment of subsidiaries as an international entry mode use this mode of entry as a strategy of mitigating the constraint of liability of country of origin faced by EMFs. Thus, it can be concluded that an EMF's choice of internationalisation entry mode is very important as the entry mode can be used as a strategy to mitigate constraints in internationalisation and make the firm more successful in their international markets.

#### **4.2.2.4 E-commerce**

In the current era of the internet and other modern technologies, and with the efforts of the state government to turn Sarawak into a digital economy by 2022, another mode of international market entry employed by the firms from Sarawak is e-commerce as shown in **Table 4.3**. Six of the firms in this research, Firms 1, 2, 3, 4, 9 and 10, had adopted e-commerce as an internationalisation entry mode. It can be observed that apart from Firms 1 and 2 which belong to the non-service sector, the other 4 firms belong to the service sector, i.e. tourism and business consultancy. For the tourism industry for instance, apart from the physical tours which require the service of tour guides, almost all other services such as registration and flight-booking can be done using the internet. In the case of the business consultancy industry, with the help of internet technologies such as Skype, the service can be rendered to people all over the globe and does not require the physical presence of the buyer and seller unlike previously. This therefore helps to save time and cost for both the internationalising firm as well as their clients. In answering why his firm chose to use e-commerce in their international expansion, Participant 4 highlighted the following:

We have the British, German...markets, all over. When you have a website you do your marketing and promotions there, there is no limitation...so now about 70-80% of our business comes through the internet, only 20% comes

through walk-ins...if you still use the traditional way, you are out of business. Because people don't know you, people don't want to call you also. People are too lazy to call now. They prefer to do all their transactions on their smart phones.

Participant 4's statement underscores the ability of EMFs, especially those in the service sector whose production does not require face-to-face interactions to internationalise their operations even into psychically distant markets through the use of e-commerce. Notably, it is risky and more costly for EMFs, and for that matter SMEs to internationalise into psychically distant markets, especially through a more traditional entry mode such as the establishment of subsidiaries. However, relying on the abundance of internet technologies has as described by Skudiene, Auraskeviciene, and Sukeviciute (2015) provided the six firms with the matchless opportunity to reach customers and partners globally.

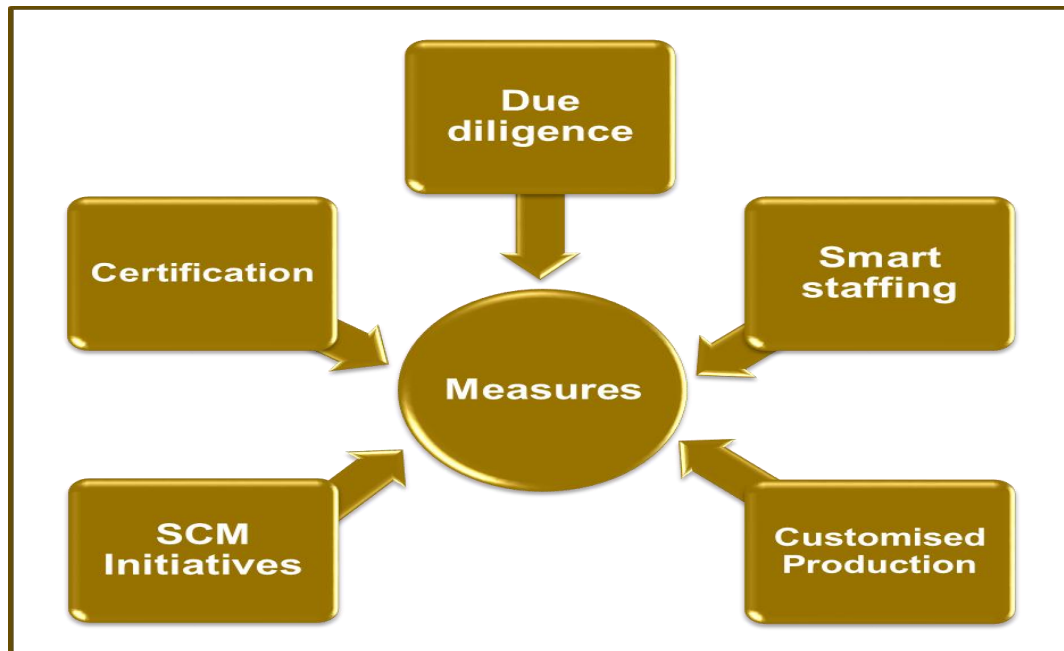
Another point to note from Participant 4's statement is that internet technologies do not only serve as a means to reach the international market but has now becomes a means of ensuring the survival of the firm. Due to the speed and convenience associated with using the internet, and the increase in technological savviness among individuals, internet use has currently become indispensable in our daily lives. As such, it has become imperative for firms to reach and meet client needs on the internet otherwise they stand the risk of running out of business.

Also, it can be observed from **Table 4.2** that Firm 3, which has adopted e-commerce as one of its internationalisation entry modes is a born global firm since it began its internationalisation within 3 years of its establishment. Internationalising at such a young stage defies the tenets of the Uppsala Model which postulates that firms spend a long time gaining experiential knowledge on their target international markets before internationalising. The employment of e-commerce as an entry mode by Firm 3 also signifies that the internet is an efficient and effective means for young SMEs from emerging market backgrounds to expand their operations internationally.

#### **4.2.3 Measures**

In this research, "measures" captures the methods and management categories in the Five M Framework. "Methods" and "management" were merged into one broad heading because examination of participants' responses to questions asked on those

categories revealed that the two categories constitute the unique measures put in place by the firms' managements to ensure a successful and sustainable internalisation. These measures, depicted in **Figure 4.1** are implemented either before or after reaching the international market.



**Figure 4.1.** Measures adopted by firms from Sarawak in internationalisation

The measures put in place by the management before entering into the target market are due diligence, certification and association with reputable institutions, and smart staffing for internationalisation. The implementation of supply chain initiatives and customised production are the measures adopted by the firms in this research after a successful entry into a target international market. These measures are further discussed in the subsequent subsections.

#### **4.2.3.1 Due Diligence**

To sustain and protect their investments in the international market, an identified measure put in place by the firms from Sarawak before entering into a target market was due diligence. From the interviews, the management of the firms from Sarawak make careful assessments of their target international markets and deals before venturing into them. For the firms in this research, due diligence serves as quality

control, cost-benefit analysis and the go-decision in their international expansions (Flyvbjerg 2013). For instance, the management of firm 11 had set up a committee which assesses the risk associated with expanding into an international market before the firm invests in that market.

The management and the board of directors have put in some controls. Example, we have a separate committee whose duty is to assess the business risk with certain markets...when it comes to international business you try to minimize the risks, but you cannot avoid them. So for example in terms of payments we try to go for Letters of Credit...if an LC is issued by the Bank of China, we are more than happy to accept it (laughs) (Participant 11).

Although the cost of conducting due diligence on a firm's target market is comparatively higher for SMEs and EMFs because they usually lack resources such as internationally trained staff or the financial resources to engage professional consultancy services (Majocchi, Dalla Valle, and D'Angelo 2015), the due diligence process cannot be forgone, as it serves a very important purpose of protecting the investment of the internationalising EMF. Due diligence helps in mitigating risks such as the risk of default and helps the firm to know more about their target market, hence facilitating a more successful international expansion.

Since EMF's compete on the global marketplace from a relatively disadvantaged starting point, it will be more disastrous for them if they fail to conduct the necessary due diligence to ensure that they are dealing in the right market through the right means. As such, it behoves on EMFs and particularly SMEs to find ways and means to conduct the necessary due diligence on their target markets at relatively lower costs. Participant 10 gave an account of how EMFs can conduct due diligence on their target markets cost-effectively in his statement below:

Your local partners can also help you to understand the market better...but still some kind of due diligence has to be done... but with today's environment, with all the internet you can learn faster and learn more actually before you land there...at least you know some basic information, and then you go there to have a first-hand experience as well. I think that is very important.

The cost of conducting due diligence on an EMF's international market can be minimised through the formation of business network relationships with local firms in

the firm's target market and by researching on the internet. As discussed in **section 4.2.2.2**, the most adopted mode of entry adopted by the firms in this research is strategic alliances. Responding to why their firms preferred this mode of entry, the participants highlighted the ease of gathering information on their target markets through their local business partners as one of the reasons. This is because the knowledge these local partners have on the EMF's target market. Also, EMFs can take advantages of the abundance of internet technologies to conduct due diligence on their target markets through the use of search engines such as Google.

#### **4.2.3.2 Certification and association with reputable institutions**

To mitigate the double constraint of liabilities of foreignness and country of origin most EMFs face in their internationalisation (Thite et al. 2016), the firms from Sarawak have also resorted to receiving certification from and associating with world-recognised, reputable institutions. Eight participant (Participants 1, 2, 4, 11, 6, 12, 13 and 15) revealed that their respective firms are subscribed to and certified by international organisations such as the International Organisation for Standardization (ISO), Hazard Analysis and Critical Control Points (HACCP), International Safety Management (ISM) code, Offshore Petroleum Industry Training Organization (OPITO) and the American Petroleum Institute (API). Participant 11 talked on how certification facilitated his firm's international expansion:

And we have also obtained ISO standard as well as HACCP, so we have a lot of certification. You know when you want your products to sell on the international market...your product has to meet a certain international standard. These certifications are what shows to the world that we have met the international standards.

Participant 4 also described how associating with a reputable organisation gave his firm an upper hand over the competition in Sarawak's tourism industry:

...and I also work with a National Geographic photographer. When people hear of it they say wow, National Geographic! That is why the international clients like to choose us over our competitors because even if they don't know us everybody knows National Geographic.

It can be gathered from the participants' statements above that their respective firms use certification as a means of curbing the negative perceptions people have about the

sub-standard quality of EMF products. This is because these world-renowned certifying bodies maintain very high standards, and give their certificates of approval only to firms whose products or services meet those set standards. Also, these certifying bodies conduct periodic checks on the certified firms to ensure they are keeping to the set standards. This provides a more tangible proof of the quality of the EMF's product or service. Again, to protect their own images and brands, world-acclaimed organisations usually like to associate themselves with equally good brands. Thus, if a famous organisation such as the National Geographic is associated with an EMF's product or service, an impression is created in people's minds that the product or service of the EMF is of good quality. Associating with world-renowned brands also makes the EMFs more recognisable, especially internationally due to the fame of those organisations. Hence, the EMF's brand is augmented both locally and internationally. The augmented brand eventually serves as a key marketing tool for the EMF as highlighted by Participant 2:

Branding is very important for any company's success. So at the end of the day, let's say after 10 years you don't have to get humans to do marketing anymore. Your brand will do the marketing for you even internationally.

Hence, it can be concluded that by acquiring certifications and associating themselves with recognisable institutions, the firms from Sarawak are able to "stand on the shoulders of giants" to compete more favourably on the international market. Thus, certification provides EMFs and particularly SMEs a more level playing ground in the international front by augmenting the images of their brands, providing them with a competitive edge and eventually mitigating the double constraint of liability of foreignness and country of origin usually associated with EMF internationalisation.

#### **4.2.3.3 Smart staffing for internationalisation**

As shown in **Figure 4.1**, one other measure put in place by the firms from Sarawak to ensure a successful internationalisation is smart staffing. In this research, smart staffing refers to employing staff with the right expertise to achieve the firm's goals, that is, successfully extending the firm's operations into a target international market. For instance, to aid in a successful internationalisation, Participants 12 and 14 attested

to having foreigners in their respective firms' teams because of their skills and expertise. Participant 12's statement below throws more light on this strategy:

There are some foreigners among our sea crew. Depending on the type of vessel, we have Polish and British. So it depends what type of vessel. Those are the specialised vessels which require licensed crew, who are hard to find in Malaysia.

Participant 12's statement above echoes the importance of staff expertise in a successful international expansion. In the bid to employ the use of specialised vessels in their operations, the management of the firm saw the need to employ qualified staff although they are foreigners. Even though employing foreign specialists is an expensive venture, it can also serve as a source of brand augmentation and competitive advantage for the firm because it indicates that the firm is interested in quality/excellent production.

Apart from including foreigners in their teams for their expertise, another way in which smart staffing is practised by the firms from Sarawak is in the area of employing the locals of the firms' target international markets.

We are planning on going into the Japan market and for that we are going to employ a Japanese. We are just waiting for her to graduate...it's because of the language barrier. If we can't speak their language how do we communicate and sell to them? (Participant 3).

In their subsidiary in Brunei, Participant 5 explained why their staff are made up of both Malaysians and Bruneians:

We have more than 10 employees there (Brunei). About half of them are from Brunei and the other half are Malaysians who have stayed in Brunei for a very long time...because they are from there and they understand the market better. They are in a better position to help us to know what the market wants, what we should do and not do.

The statements of Participants 3 and 5 reveal that employing the staff with the right attributes, in this case employees from the firm's target market facilitates international expansion. The facilitation comes as a result of the employee's knowledge on the target market in terms of culture, language, legal and administrative systems, thus

reducing the time and cost involved in gathering information on the EMF's target market.

The participants' statements give credence to the Immigrant Effect postulated by Hyde and Chung (2002) and Chung (2004). This phenomenon refers to the role played by an immigrant employee on the success of a firm on the international market, especially in the immigrant's country of origin by virtue of the knowledge the employee has on the firm's target international.

#### **4.2.3.4 Supply chain management initiatives**

After a successful entry into their target international market, an identified measure put in place by the firms from Sarawak is supply chain management initiatives, particularly, forward and backward integration (vertical integration). Fawcett and Magnan (2002) viewed supply chain management initiatives as efforts to coordinate a firm's objectives and integrate resources with the aim to provide greater value to the end consumer. From interactions with participants, Firm 2 had an in-house design firm which directly fed into the design of their ships. The CEO of Firm 4 was also a part owner of an IT firm and a resort which builds and maintains websites for the firm, and serves as accommodation to their clients, respectively.

Participant 2 explained why the management of Firm 2 decided to setup an in-house design firm and how this strategy has helped his firm in their international expansion:

Design is more than enough to make us competitive because design is not that easy, it's very technical. Not all shipyards take this challenge. The main motive why we set up this in-house design company is so that we can get the correct design right from the beginning. And especially if you want to deal internationally you have to be able to come up with the unique and right designs.

Statements by Participant 4 tallied with that of Participant 2 on how supply chain management initiatives make a firm competitive in his statement below:

Our IT company designs all our websites. At the moment we have about 10 websites, each with a different design. So depending on what you like you click on one of them...yes we have our own resort. We saw that when the tourists come they are concerned about their accommodation...so we built the resort and our tourists are always happy.



It can be observed from the participants' comments above that supply chain management initiatives serve as a means for the firms to augment the value of their products, which then translates into increased customer satisfaction. In their international expansions, increase customer satisfaction means an increase in international sales due to repetitive buying by the firm's actual clients and referrals to other prospective buyers. This therefore gives the firms a competitive advantage in their respective industries locally and internationally, thus making it more successful. The adoption of supply chain initiatives among the firms from Sarawak due to the benefits to be derived underscores Leuschner, Rogers, and Charvet's (2013) conclusion that there's a positive correlation between supply chain management initiatives and firm performance.

#### **4.2.3.5 Customised production**

Another measure put in place by the firms from Sarawak is the customisation of their production. The adoption of this measure in internationalisation among the firms from Sarawak can be attributed to the fact that customisation has become very popular among consumers as compared to standardisation as customisation gives consumers the chance to specify the products/services that meet their tastes and preferences (Jin, He, and Song 2012). Participant 9 explained how his firm tailors their services to suit the taste of their clients:

For first-timers we ask them what type of packages they are looking for...because of that at the end of the tour they are very happy because they got what they are interested in, not just one kind of package for everybody. Then they refer us to their friends when they go back to their countries. That is another way we get the international tourists.

In the current dispensation, EMFs do not only use internet technologies as means to study and reach international markets as discussed in previous sections, but also use the internet as an avenue to provide customised products for their clients in their international markets. For instance, Firm 2 has an online system which allows their clients the flexibility to tailor vessels to their preferred tastes and prices. This method was explained in Participant 2's statement below:

Another strategy which makes our shipyard differentiated from others is transparency of costing. We have

implemented something called the E-Calc system. When a client wants to buy a ship they can go to our website, select the specification of the kind of ship they want Afterwards they can check-out the total amount of cost to build the ship. Then when they are interested they make payment and we build for them.

The Participants' statements above bring to light the competitive advantage factor associated with customised production. As stated by Participant 9, customised production leads to customer satisfaction, which stems out of customers' feeling that they received a product or service that was tailor-made for them. This makes the customers feel more valued than they feel when they consume the goods or services of firms which engage in standardisation. The satisfied customers then recommend the firm to other customers in their home markets.

It can also be deduced that customisation serves as a differentiation strategy for EMFs in the face of increased global competition. This is because the cost involved in customisation is relatively higher as compared to standardisation. As such, not many firms are willing and able to customise their production to suit the taste of their clients. Hence, practising customisation differentiates a firm from their competitors and makes them more competitive on the international market.

#### **4.2.4 Summary of findings on Research Question 1**

Dunning's classification of internationalisation motives do not entirely capture the reasons why firms from Sarawak have ventured into the international market. Motives such as learning opportunities and image enhancement as identified among firms from Sarawak are not captured in the widely-accepted four way classification. This is because DMMs, on which the classification was based had begun their internationalisation long before EMFs. As such, they had already developed their brands as well as a plethora of technological and operational knowledge during their long period of operating in the international market. This signifies that by extension EMFs have needs different from their counterparts from the advanced countries, and therefore venture into the international market for different reasons.

In terms of how the firms from Sarawak have entered into their target international markets it can be observed that a majority of the firms preferred less expensive entry

modes such as exporting and the formation of strategic alliances. Even for the minority of firms which chose more costly entry modes such as the establishment of subsidiaries, factors such as proximity were considered. This can be due to the market development motive being the most pervasive motive to internationalise among the firms from Sarawak. Also, in the current technological era, and with the introduction of the Sarawak digital economy the firms in this research have resorted to reaching the international market through the internet, which is considered a fast and cost effective way of reaching clients in near and far markets.

To augment their competitive advantage and ensure a more successful internationalisation, the firms from Sarawak have resorted to strategies such as customisation, supply chain initiatives and certification from reputable organisations. It was also found that the management of the firms from Sarawak practise smart staffing and due diligence to reduce their costs, facilitate a better performance, and to protect their investments in their international markets.

#### **4.3 RESEARCH QUESTION 2: WHAT ARE THE CONSTRAINTS FACED BY EMFs FROM SARAWAK IN INTERNATIONALISATION?**

The second research question highlights the constraints to a smooth and sustainable international expansion among firms from Sarawak. Although there are previous studies on the constraints EMFs face in general, this research question sought to explore the constraints which are specific to the context of firms internationalising from Sarawak. The identified constraints to internationalisation found among the firms from Sarawak were (i) liabilities of foreignness and country of origin, (ii) transportation barriers (iii) communication barriers and (iv) immigration barriers. These constraints are further discussed below.

##### **4.3.1 Liabilities of foreignness and country of origin**

Like many other EMFs, one of the identified constraints of internationalisation among the firms from Sarawak is the liabilities of foreignness and country of origin. For the firms in this research, this cost comes in the form of cost of conducting adequate due diligence and building brand reputation in the host market.

Because we are new in the international business operations. Locally we are very strong but internationally we need to build up our reputation. That is the key challenge to us. Another challenge is finding the right buyers or business associates from the international markets (Participant 11).

Participant 13 also described how his firm faces constraints and additional costs due to their foreignness in the international market:

...in some of the countries you need to have some of the local people in the company as the directors. You have a collaboration then after one year they cancel it and you lose...and sometimes also in terms of market strategies, you need to do market survey because different countries have different cultures so we need to do a survey before we enter into that market and it is challenging and expensive.

The Participants' statements point to the high cost involved in studying a target market and researching on potential partners or buyers which forms part of the due diligence process a firm has to undertake before entering into the international market. This cost is relatively higher for EMFs compared to their competitors from the advanced markets (Maqsoom et al. 2014). This is because EMFs usually lack resources such as internationally trained staff or the financial resources to engage professional consultancy services (Majocchi, Dalla Valle, and D'Angelo 2015). Also, their competitors from their target market do not incur such costs since they are already in the market. This increases the cost of doing business for the internationalising EMF which leads to reduced margins and competitiveness in the international market.

Their statements also echo the high cost associated with building the EMF's reputation in the international market. The products or services of EMFs are usually perceived to be of lower quality on the international market (Maghrour 2010; Moeller et al. 2013). Indeed this constraint of internationalisation identified among firms from Sarawak is in tandem with the conclusion of Thite et al. (2016) that EMFs face the double constraint of liability of foreignness and liability of country of origin which increases their cost and make them less competitive as compared to DMMs.

To mitigate this constraint, the firms in this research have resorted to measures such as receiving certifications from reputable institutions as described by Participants 4 and 11 in **section 4.2.3.2**. Also, the firms from Sarawak have resorted to the formation

and use of strategic alliances as an international entry mode to mitigate the constraint of liabilities of foreignness and country of origin as described by Participant 10 in section 4.2.2.2.

#### **4.3.2 Transportation barriers and their resultant effects**

Due to the unique geographic location of Sarawak by being situated on an island, it was found that EMFs from this area faced constraints related to transportation. Being bordered by the South China Sea, one of the most important and cheapest means of transportation in Sarawak is water transport. However, since the ports in Sarawak are not Malaysia's main ports, the firms in this research, especially those in the non-service sector, and those who utilise exportation as their mode of international entry face problems such as delayed shipments.

Another constraint is that in Sibu here if you want to export it's quite hard because the ships are not frequent. Sometimes a customer may urgently need a product and we might not be able to meet the order in time...that is a bad reputation for us...Indonesia is very near but because the shipment will have to go through Singapore it causes delays. So sometimes we have to deliver through DHL which brings in extra costs (Participant 1).

Participant 11 also described the long route and delays his firm and other firms from Sarawak face when exporting through the ports:

The port facilities at the West Malaysian side is much better than what we have here in Sarawak. For example if you want to export something from Miri it has to go through Bintulu first. If the product is packed into container form it has to go through Pasir Gudang, Johor before it diverts. This can cause a lot of delays for us.

The issue of the difficulties in shipment raised by Participants 1 and 11 results in a number of rippling effects for the firms from Sarawak. Firstly, if the firm wants to go through the normal procedures for shipment in Sarawak, there are delays in delivery to the international clients due to the long route involved. This leads to customer dissatisfaction and a negative international reputation for the firm. An alternative to water transportation in Sarawak will be to find an alternative route to delivery, for example through an air courier service as suggested by Participant 1. However, these alternative routes are much more expensive, which increases the price of the final

product. Again, the higher cost of the product leads to customer dissatisfaction, which gives rise to the rejection or lower patronage of the firms' products on the international market. Eventually, this makes the firms less competitive on the international market.

Participant 2 also raised a pertinent issue related to the long route involved in transportation in Sarawak; high cost of imported raw materials and other inputs of production.

We import most of our raw materials mostly from China, Japan and Ukraine. Importing to this area (Sarawak) is very expensive compared to West Malaysia...price-wise we lose to China, technical-wise we lose to Europe (Participant 2).

Just like exporting, imported raw materials and other inputs of production go through a longer route since the ports at Sarawak are not major ports. From Participant 2's statement above, this translates into additional costs which lead to a higher cost of production, making the final product relatively more expensive. Consequently, this reduces the price competitiveness of the firms' products internationally.

Another aspect of the constraints faced by the firms in this research, especially those in Sarawak's tourism industry with respect to transportation is with limited direct flights into the towns and cities in Sarawak. Participant 3 expounded on this problem:

One of the challenges we have here is less of direct flights...to give you an example, a Taiwanese coming to Mulu, they need to fly all the way to Kota Kinabalu, and then fly again to Miri, then fly again to Mulu. You can see so many flights. The cost to fly here is higher compared to those places where they have a direct flights. So this is an obstacle to us.

Participant 3's description of how the unavailability of direct flights to some parts of Sarawak have similar repercussions on the firms; increased costs due to the several connecting flights potentially leading to lower patronage by international clients.

This barrier is one of the reasons why firms such as Firm 2 have resorted to having partners in markets which are closer to the target international market as Participant 2 described in **section 4.2.2.2**. However, this solution might end up eroding the firm's profit since the partner(s) will also take their share of the profit from the sale.

### 4.3.3 Communication barriers

Although the management of the firms from Sarawak are able to identify the potential in certain international markets and are willing to expand into them, another hindrance to doing so is the barriers to communication. Participant 1 lamented on how barriers to communication, in terms of language differences prevented his firm from expanding into a potential international market:

Vietnam is actually a big market for shipbuilders but due to communication barrier it's very hard to do business with them. That is why we haven't gone there yet.

As discussed in previous sections, the firms from Sarawak have mostly internationalised into other Asian markets. However, the vast diversity of cultures on the Asian continent has resulted in constraints such as communication barriers. Apart from preventing or causing delays in the expansion into a potential market, communication barriers such as language differences increases costs for EMFs. For instance due to the language barrier between Malaysia and Japan, the management of Firm 3 decided to employ a Japanese before internationalising into the Japan market (discussed in **section 4.2.3.3**). Employing a foreigner is much more expensive compared to employing people from the firm's home market.

Another potential cost that can be incurred by the firm internationalising into a market with language differences is the cost of gaining knowledge on the target market, which Majocchi, Dalla Valle, and D'Angelo (2015) have described as being comparatively higher for EMFs and particularly SMEs due to their lack of resources. Due to the language barrier research on the target international market that could simply be done through the internet may have to be done through hiring an interpreter or a consultancy service or even through finding partners in the target market. This subsequently erodes the profit gained by the firm in its international market.

This finding is in line with the findings of a study done by Cahen, Lahiri, and Borini (2016) on Brazilian new technology-based firms where it was found that the widespread inability of the managers of the Brazilian firms to speak other languages apart from Portuguese stood as a barrier to the internationalisation of the firms.

#### **4.3.4 Market regulatory barriers**

Another identified barrier to a successful international expansion by the firms in this research is regulatory barriers. These regulatory barriers come from both the home (internal) and target market (external) institutions of the firms. Participants 1, 14 and 15 highlighted the high taxes imposed on their products in their target markets as hindrances to a more effective international expansion.

For China, actually you can send your products there but the tax is very high. For a lot of people, your price is attractive and reasonable but when you send it there the government taxes it. After tax the price becomes too much for the customer to buy...this can only be solved if we build a factory in China. If you want to sell to China it's very hard (Participant 1).

Imposition of taxes on an EMF's product by a target market's regulatory body makes the products more expensive and hence unattractive to potential clients in that market. As Participant 1 suggested in his statement above, an alternative might be to establish a subsidiary in the target market. Establishing a subsidiary might not be possible for an EMF due to the high cost involved. This can hinder the international expansion of an EMF.

Participant 7 raised the issue of a home market institutional barrier to a faster international expansion that his firm faced:

The main challenge we face is the immigration problem. Because most of our staff are internationals from Korea, Japan, India and China. The process of getting their working permits sometimes takes a long time and this delays our processes and progress.

In Sarawak, a foreigner can obtain a working permit only after obtaining the appropriate permits from the national immigration authorities and then from the state immigration authorities. This can take quite some time to be finalised. Considering the fact that the employment of foreign experts is one of the measures adopted by the firms in their internationalisation, the delay in acquiring working permits by these foreigners can result in a delay in the firm's internationalisation process.



#### **4.3.5 Summary of findings on Research Question 2**

Research Question 2 sought to look into the constraints faced by the firms from Sarawak in their internationalisation since according to Jarratt and Fayed (2001), the constraints a firm faces have an impact on the strategies adopted to internationalise. The constraints in internationalisation identified among the firms in this research included liabilities of foreignness and country of origin, transportation, communication and market regulatory barriers. Indeed it was found that these identified barriers had an impact on the firms' preferred international entry modes and the measures put in place by the firms to ensure a more successful internationalisation. As such, it can be concluded that to fully study and understand the internationalisation strategies adopted by the firms from Sarawak and EMFs by extension, the constraints they face in their internationalisation process must also be investigated and taken into consideration. The next section discusses the findings on Research Question 3.

#### **4.4 RESEARCH QUESTION 3: HOW SUITABLE ARE CURRENT INTERNATIONALISATION THEORIES APPLIED IN THE CONTEXT OF EMFS FROM SARAWAK?**

There is an on-going debate as to the suitability of prevailing internationalisation theories in explaining EMF internationalisation process. While some researchers opine that the internationalisation patterns of EMFs are similar to those of DMMs and hence no new theories are required to explain them, others hold that EMFs internationalise differently from DMMs and so new theories are needed to explain them. There are others who also believe that with some revision, prevailing theories will be sufficient to explain the internationalisation paths of EMFs. This diversity in opinions is known as the Goldilocks debate (Cuervo-Cazurra 2012). This section seeks to contribute to this debate through the lens of the internationalisation paths of firms from Sarawak.

##### **4.4.1 The Goldilocks debate in the context of EMFs from Sarawak**

Dunning's Eclectic theory posits that a firm can extend its operations abroad only when it possesses Ownership, Location and Internalisation (OLI) advantages. The firms from Sarawak, like many other EMFs and SMEs do not possess high technological know-how, brands and other ownership advantages possessed by DMMs

through their many years of international activity. However, as discussed in **section 4.2.1.2** and **section 4.2.1.4**, the firms from Sarawak internationalise in the bid to obtain enhanced images/brands and technical know-how respectively. Thus, the firms from Sarawak rather use their international expansion as a means to obtain ownership advantages to increase their overall competitive advantage.

The adoption of supply chain management initiatives as a measure to ensure a successful internationalisation by the firms from Sarawak reflects the firms' efforts to obtain internalisation advantages before embarking on international expansion as posited by the Eclectic theory. However, entering into the target international markets through modes such as the formation of partnerships and other strategic alliances, and falling on these networks for aspects of their production suggests that the firms do not necessarily attain full internalisation advantages before internationalising. As such, it can be concluded that the Eclectic theory does not fully explain how firms from Sarawak internationalise.

In terms of the international markets firms extend into, the International Product Life Cycle theory, based on the study of DMMs predicted that firms initially expand into other developed markets and when the firm's product reaches the level of standardisation the firm then expands into developing markets. From **Table 4.1**, it can be observed that this theory does not fully apply to the firms in this research. By leveraging on the internet, strategic alliances and Malaysia's economic agreements, Firms 9, 14 and 15 begun their internationalisation from advanced countries (Australia, Germany and Japan respectively) before venturing into less developed countries. Hence, the internationalisation paths of the aforementioned firms lend credence to the IPLC theory. However, taking into consideration factors such as proximity, lower investment costs and similarity of markets, majority of the firms from Sarawak initiated their international expansion from other developing markets such as Indonesia, Taiwan and Brunei Darussalam. As such, the prediction of the IPLC Model does not fully apply in the context of EMFs from Sarawak.

In explaining the entry pattern of firms into their target international markets, the Uppsala Model suggested that firms internationalise gradually and incrementally, usually into psychically closer countries. According to the model, the decision to internationalise is informed by the amount of knowledge and experience the

management of the firm has on the target international market. For the firms from Sarawak, an aspect of the Uppsala Model holds true, in that, as discussed in previous sections, the majority of the firms in the research began and have vastly internationalised into psychically closer countries. However, by adopting entry modes such as e-commerce and strategic alliances, the firms in this research have managed to cut short the long period involved in gaining information on their target markets. Through these adopted entry modes, the firms have been able to gain information on their target markets within a shorter time, and have even managed to expand into psychically distant markets. It can be observed from **Table 4.1** that apart from Firms 4, 10, 11 and 12, all the firms in this research began their international expansions before their tenth year of operation, with Firms 9, 14 and 15 beginning their internationalisation in more advanced, psychically distant markets. In fact, according to Knight and Cavusgil (2004) and Moen (2002), Firms 3 and 7 can be classified as Born Globals since they began their international expansion within three years of their establishment. Hence, the entry modes adopted which allow the firms to quicken their international expansion, even into psychically distant markets reveal that the Uppsala Model does not adequately explain the internationalisation patterns of firms from Sarawak.

The Internationalisation Network Model is also inadequate in fully explaining the internationalisation paths of the firms in this research in that it does not tell for example the types of markets the firms will internationalise into or when the firms will internationalise into those markets. However, this theory seems to be relatively stronger in the internationalisation of the firms in this research and even fills in the inadequacies of the other theories. For example, as discussed previously, the majority of the firms in this research began their international expansion from other emerging markets. However, by relying on their strategic alliances (and internet technologies), Firms 9, 14 and 15 began their internationalisation from advanced markets, thus validating the IPLC Model.

Also the firms did not attain full ownership and internalisation advantages before extending into the international market as posited by the Eclectic Theory. However, their internationalisation was made possible by relying on their business networks for those advantages. For example, as discussed in a previous section, Firm 2 partnered

with another firm in the UAE to produce for the European market. Also, although the majority of the firms from Sarawak began and have vastly internationalised into psychically closer countries as predicted by the Uppsala Model, they relied on their network (and internet technologies) to gain information on their target markets to speed up their internationalisation process into those markets instead of spending years in gaining experiential knowledge on the markets.

Apart from the many benefits the firms in this research gained from the establishment and maintenance of strategic alliances as discussed previously, the Internationalisation Network Model is relatively stronger among the firms from Sarawak due to the collective nature of the Malaysian society. As at 2018, Malaysia's score on individualism in Hofstede's Cultural Dimensions Theory is 26, which shows that Malaysia is a highly collective society (Hofstede Insights 2018). This collective nature is reflected in the firms' preference and high adoption of strategic alliances as an entry mode, and their reliance on these alliances for success in their internationalisation.

It can be concluded that none of the theories of internationalisation discussed in Chapter Two of this thesis can singlehandedly fully explain the internationalisation paths of the firms from Sarawak. As such, prevailing theories require some revisions to fully explain the internationalisation of the firms from Sarawak.

#### **4.4.2 Summary of Research Question 3**

From discussions in previous sections, it has been established that the firms from Sarawak internationalise for reasons different from their counterparts originating from advanced markets. Also, due to their backgrounds as EMFs, the internationalisation markets, modes of entry and patterns of the firms from Sarawak are to a large extent different from those of the advanced market firms. Hence, though some aspects of prevailing theories are reflected in the internationalisation paths of the firms from Sarawak, such as the concept of psychic distance posited by the Uppsala Model, singlehandedly, none of the theories was found to be adequate in fully explaining the internationalisation paths of the firms in this research. As such, prevailing internationalisation theories require some revisions to fully explain the internationalisation of firms from Sarawak.

## **4.5 CHAPTER SUMMARY**

In this chapter, the findings from the interviews and documentary sources were discussed. The discussion on the findings were done in themes based on the set research questions to be answered in this research. The next and final chapter concludes the research by summarising the entire study, discussing the implications and limitations of the research and some recommendations for future research.

## **CHAPTER FIVE**

### **CONCLUSIONS AND IMPLICATIONS**

#### **5.1 CHAPTER OVERVIEW**

The previous chapter discussed the findings of this research in themes according to the research questions. This final chapter concludes the research. The chapter begins with a summary of the entire research, followed by the theoretical contributions and managerial implications of the research. Finally, the limitations of the research are discussed and some recommendations are made for future studies.

#### **5.2 SUMMARY OF THE RESEARCH**

The internationalisation of firms originating from emerging markets has become a major research area in the field of International Business. This is because these emerging market firms are rapidly internationalising their operations, which was not the case a few decades ago. Some researchers have linked the current economic growth in some emerging markets to the increase in foreign operations of their firms.

The upsurge of research into the internationalisation of emerging market firms has brought about what is now termed as the “Goldilocks debate”, that is to say different studies have produced different results of how emerging market firms internationalise their operations. While one group of research findings conclude that the internationalisation paths of EMFs is similar to those of their counterparts originating from advanced economies, and hence there’s no need to propound new theories to suit the context of EMF internationalisation, another group conclude that EMFs internationalise differently from DMMs and therefore require new theories. Another opposing view to the previously mentioned research findings hold that though the internationalisation paths of EMFs appear to be different from that of DMMs, the current internationalisation theories in IB literature may be able to explain them, but with some revision.

In order to solve this “puzzle” of how EMFs internationalise their operations, more research is being done in different emerging market firms of diverse industries and sizes. Although a lot of work is being done in this field of research, studies have shown

that Chinese firms constitute the largest percentage of EMFs studied, leaving internationalised firms from other emerging markets understudied. This has led to calls for more studies on other EMFs outside the Chinese market in order to present a more representative picture of how EMFs internationalise their operations. By delving into how firms from Malaysia extend internationally, this research brought to light new insights into the internationalisation of firms from relatively under-researched emerging markets. The uniqueness of this research is that it focused on firms originating from East Malaysia's island-based state of Sarawak, which had no identified published work done on how its firms internationalise to the best of the researcher's knowledge.

The main aim of this research was to investigate the internationalisation strategies of EMFs originating from Sarawak, and to assess the suitability of prevailing theories in the context of EMFs from Sarawak. To achieve this aim, three research questions were posed and answered: (1) "What are the internationalisation strategies of firms from Sarawak?" (2) "What are the constraints faced by EMFs from Sarawak in their internationalisation?" and (3) "How suitable are current internationalisation theories applied in the context of EMFs from Sarawak?"

To answer the research questions a qualitative research method within the interpretivism philosophy was adopted. Primary data were gathered from 15 in-depth audio-recorded interviews with top managers of selected internationalised firms from Sarawak. Secondary data on the selected firms were also sourced for the purpose of triangulation and ensuring the credibility of the information gathered from the interviews. Collected data were transcribed and analysed thematically in the light of existing literature.

For Research Question 1, the analysed data revealed that market development is the main reason why firms from Sarawak have extended their operations internationally. Other identified motives included image enhancement, leveraging on Malaysian government's economic and institutional provisions, and technical and operational learning opportunities available in international markets. It was also found that the motives to internationalise have a direct bearing on the preferred international markets. For example, due to the market development motive to internationalise, the firms have mostly expanded into the highly-populated and closer ASEAN region and other

eastern Asian countries. The firms have also expanded into farther, developed countries to enable them to learn from their (developed markets) rich technological and operational know-how. As such, the motivations and markets constructs of the Five M Framework were joined and discussed together in this research.

In terms of how the firms from Sarawak enter into their target international markets, it was discovered that the firms preferred faster, less costly entry modes such as exporting and strategic alliances. The firms had also taken advantage of internet technologies to reach the international markets through e-commerce. Though the firms in this research mostly preferred less costly entry modes, four of the firms had subsidiaries in neighbouring Brunei and Singapore, and in China. The participants from the four firms explained that the nature of their businesses and the need to get closer to their clients called for the establishment of the international subsidiaries.

To ensure a more successful and sustainable international expansion, it was found that the management of the firms in this research have put in place some measures either before or after their internationalisation. “Measures” in this research combines the methods and management constructs of the Five M Framework. The measures applied before their internationalisation included due diligence, certification and association with reputable institutions, and smart staffing for internationalisation. The implementation of supply chain initiatives and customised production were found to be the measures adopted by firms from Sarawak after a successful entry into a target international market. To sum it all up, it was found that the internationalisation strategies employed by the firms in Sarawak can broadly be categorised under three main headings: (i) motivations and markets (ii) modes and (iii) measures. The new classification of internationalisation strategies eliminates some overlaps found in the Five M Framework.

For Research Question 2, interviews with the participants revealed that the constraints firms from Sarawak face in their internationalisation included liabilities of foreignness and country of origin, transportation barriers, communication barriers and market regulatory barriers. It was further revealed that some of the strategies employed by the firms in their internationalisation were implemented in order to annihilate these constraints. For instance, to tackle the issue of liabilities of foreignness and country of origin, the firms resorted to entry modes such as strategic alliances, and measures such



as certification and association with reputable institutions respectively. Also, in order to minimise the impact of communication barriers, the firms resorted to measures such as smart staffing by employing locals of their target international market. Thus, the internationalisation strategies of the firms from Sarawak are also informed by the constraints the firms face in their international expansion. As such, it can be concluded that to fully paint the picture and understand the internationalisation strategies of firms from Sarawak, the firms must be studied in the areas of their motivations and markets, modes of entry, unique measures adopted as well as the constraints they face in their internationalisation.

For Research Question 3, it was found that prevailing theories formulated from the internationalisation paths of DMMs were singlehandedly inadequate in fully explaining the internationalisation patterns of firms from Sarawak. For example, it was found that the firms from Sarawak did not possess all the ownership and internalisation advantages stipulated by Dunning's Eclectic Theory, but rather the firms gained some of these advantages through internationalisation and reliance on their business networks (strategic alliances).

Also, although some of the firms in this research began their internationalisation in advanced countries as postulated by the IPLC theory, majority of the firms from Sarawak rather began in other developing or emerging markets. Again, the firms from Sarawak through entry modes such as strategic alliances and e-commerce have been able to speed up their internationalisation process, with three of the firms beginning their international expansion from psychically distant markets. This contradicts the tenets of the Uppsala Model. Although the Internationalisation Network Model does not predict for example the kind of markets firms internationalise into, it seems to be the central theory of the firms from Sarawak, filling in the inadequacies of the other theories.

As such, it can be concluded that singlehandedly, current internationalisation theories are inadequate to fully explain how firms from Sarawak internationalise their operations. Hence, this research supports the call for an amendment of prevailing theories in order to fully explain how firms from Sarawak internationalise.

### **5.3 THEORETICAL CONTRIBUTIONS OF THE RESEARCH**

Being one of the pioneering studies on the internationalisation of firms originating from an east Malaysian state, this research contributes to the ongoing Goldilocks debate as well as IB literature on the internationalisation strategies adopted by EMFs. These contributions are discussed in the subsequent subsections.

#### **5.3.1 Contributions to the Goldilocks debate**

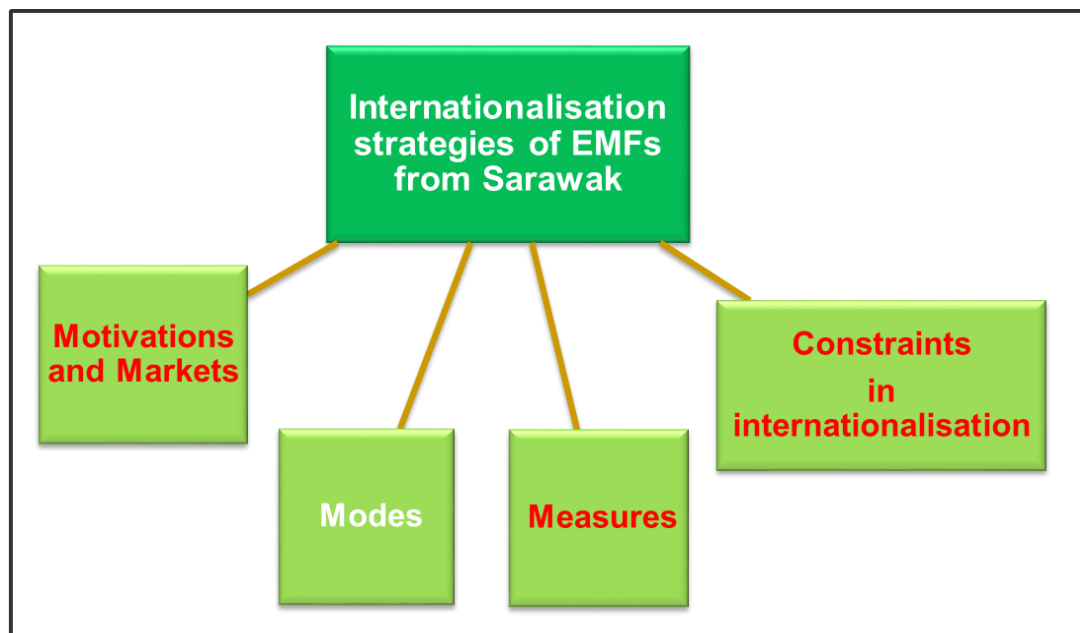
This research contributes to the ongoing Goldilocks debate; an academic debate on the suitability of prevailing IB theories in explaining the internationalisation paths of EMFs. The current research found that singlehandedly, the prevailing IB theories in chapter 2 of this thesis seemed inadequate in fully explaining or predicting the internationalisation paths of EMFs. For instance, aspects of prevailing theories were found to be true among the firms in this research. These include majority of the firms beginning their internationalisation from psychically closer countries such as Indonesia and Singapore as predicted by the Uppsala Model (Johanson and Vahlne 1977), three of the firms beginning their international expansion from advanced countries as predicted by the IPLC Model (Vernon 1966) and efforts by the firms to possess some ownership and internalisation advantages before internationalisation as predicted by the Eclectic theory (Dunning 1977).

However, not all aspects of the prevailing theories were found to be true among the firms in this research. For instance, through the use of internet technologies and by falling on their business networks, the firms were able to gain knowledge on their target markets at a faster pace. This goes contrary to the tenets of the Uppsala Model that firms spend long periods of time gaining experiential knowledge before extending their operations into their target markets. Contrary to the IPLC Model, majority of the firms in the research began their internationalisation from other emerging countries such as Indonesia and Brunei Darussalam. It was found that the three firms that began internationalising from advanced countries were able to do so through entry modes such as strategic alliances and e-commerce. Also, contrary to the Eclectic Theory, the firms from Sarawak did not possess all ownership and internalisation advantages before internationalising. They relied on their business networks for some of these advantages during their internationalisation process.

Although the Internationalisation Network Model does not for example predict the international markets the firms will enter into and how the firms will enter into those markets, it appears to be a relatively stronger theory in the context of EMFs from Sarawak. The Internationalisation Network Model appears to complement and fill in the inadequacies of the other prevailing theories to explain the internationalisation paths of the firms in this research. This research therefore supports the position of Ramamurti (2009) and Ramamurti (2012b) that prevailing theories only require some revisions to fully explain the internationalisation paths of EMFs. Per the findings of the current research, this research proposes an integration of prevailing theories with the Internationalisation Network Model serving as the central or binding theory to explain the internationalisation paths of EMFs.

### 5.3.2 Contributions to IB studies

The current research also contributes to IB studies by proposing a framework for studying and understanding the internationalisation strategies of EMFs originating from Sarawak and other similar contexts. The proposed framework is presented in **Figure 5.1**.



**Figure 5.1** Proposed framework for studying and understanding the internationalisation strategies of EMFs from Sarawak.

Due to its comprehensiveness, the current research adopted the Five M Framework (Fey et al. 2016), a framework for studying and understanding the internationalisation strategies of EMFs. It was found that the international market choices of the firms in this research are directly impacted by the motives to internationalise. For example the market development internationalisation motive found among the firms from Sarawak informed their decision to expand into highly populated and closer countries such as Indonesia with the view to increase profits. Also, the technical and operational learning motive to internationalise led the firms in this research to extend their operations into advanced markets such as Australia and the Netherlands. As a result, the motives and markets constructs of the Five M Framework were merged and discussed together in this research.

Likewise, the methods and management constructs of the Five M Framework were joined together in this research under a new name; Measures. This is because it was found that the methods and management constructs of the Five M Framework constitute the unique measures or practices put in place by the management of the firms from Sarawak before and after their internationalisation to ensure a smooth and successful international expansion. For the firms in this research, these measures included due diligence, smart staffing, certification, customised production and supply chain management initiatives. The modes construct of the Five M Framework was however maintained. Thus, the modified Five M Framework eliminated some overlaps found in the original framework.

Also, it was found that the internationalisation strategies and paths of the firms in this research were impacted by the constraints they face in their internationalisation process. For instance, the constraint of liability of foreignness and country of origin identified among the firms informed the firms' decision to adopt measures such as certification, and an entry mode such as strategic alliances. Again, because of the constraint of communication barriers, the firms practise smart staffing evidenced in their employment of locals of their target international markets. Thus, this research revealed that EMFs adopt certain strategies in an attempt to annihilate some constraints they face in their internationalisation. This research therefore postulates that apart from the motivations and markets, entry modes and the measures adopted by EMFs, the **constraints** they face must also be investigated in order to fully understand their internationalisation as shown in **Figure 5.1**. Although this framework was developed

based on firms from Sarawak, it can also be applied to firms originating from similar contexts.

## **5.4 MANAGERIAL IMPLICATIONS OF THE RESEARCH**

The findings of this research have implications for the Ministry of International Trade and E-commerce-Sarawak, the Sarawak Multimedia Authority, the Ministry of International Trade and Industry-Malaysia and its associated agencies such as MATRADE, SME Corps, Malaysian Investment Development Authority and other policymakers in Sarawak, Malaysia and emerging markets as a whole. Also, the findings have implications for EMF managers. The managerial implications of the current research are presented in the subsequent subsections.

### **5.4.1 Implications for policymakers**

Firstly, it was observed that some of the firms in this research took advantage of the economic partnerships between Malaysia and other countries to internationalise their operations. For example, apart from the shorter psychic distance and large population size, the current research revealed that one of the reasons why the firms from Sarawak have vastly internationalised into the ASEAN region is because of the presence of economic agreements such as the CEPT among the ten ASEAN countries. This agreement allows for the application of a 0-5% tariff rate on goods manufactured in the region. This therefore makes it less costly and more attractive for the firms from Sarawak to export into other ASEAN countries. Hence, to increase the international expansion of firms, the government and other policymakers of emerging markets must enter into and maintain positive trade agreements with other countries. This will make it less costly and more attractive for EMFs to internationalise their operations.

Secondly, the governments and other policymakers of emerging markets must hold regular dialogue meetings with the stakeholders of internationalised firms and firms that wish to internationalise. This will enable them to ascertain and find solutions to the constraints faced by already internationalised firms and the hindrances to internationalisation among the firms which are yet to expand internationally. For instance, in this research, it was discovered that one of the major constraints faced by firms belonging to the tourism industry in Sarawak was the limited number of direct

flights into Sarawak. Through meetings, the management of the tourism related firms could have collectively relayed this constraint to policymakers such as Sarawak's ministry of Tourism and other stakeholders in the aviation sector. This knowledge could have prompted the policymakers to put in efforts to increase the number of direct flights into the state. This would have boosted the number of international tourists into Sarawak since direct flights translate into cheaper transportation into the state. This would have eventually encouraged already internationalised firms to increase their international activities and encourage new firms to extend their operations into the international markets.

Also, policymakers must provide the necessary infrastructure and training in order to increase the use of internet technologies in the international business activities among EMFs. This research revealed that through e-commerce, the firms from Sarawak were able to extend their operations into countries such as the USA, Germany, Australia, New Zealand, Belgium and Switzerland. These are very distant markets which would have otherwise been very costly for EMFs to reach. It was also revealed that e-commerce served as an avenue for the firms from Sarawak to increase their sales and profits. Thus, e-commerce serves as a fast and less costly mode of international entry for EMFs. Policymakers such as the Sarawak Multimedia Authority (the spearheading body of the Sarawak Digital Economy 2018-2022) must invest in and provide the necessary infrastructure such as internet masts or towers to enable EMFs have access to the internet to engage in e-commerce. Policymakers must also organise training sessions for EMFs to equip them with the requisite skills for utilising internet technologies for internationalisation purposes.

#### **5.4.2 Implications for EMF managers**

For the managers of other firms from Sarawak and emerging markets that wish to internationalise their operations, one of the implications of this research is that they must consider entering into business network relationships with firms in their target market. This is because of the benefits they stand to derive from such relationships. For instance, it was revealed in this research that the firms from Sarawak relied on their strategic alliances to gain knowledge on their target international markets and to

reach clients in those markets. This helped to reduce their costs and sped up their internationalisation process.

Secondly, managers of EMFs must endeavour to mitigate the constraint of liabilities of foreignness and country of origin often faced by EMFs on the international market. This constraint was also identified as one of the constraints of internationalisation faced by the firms in this research. The research revealed that this constraint can be mitigated through measures such as partnering with known firms in the EMFs' target markets and the attainment of certification from reputable international organisations. According to the participants in the research, employing these measures helped to increase their firms' credibility and augmented the image of their brands in their target international markets, which made them more successful internationally. The images of Portuguese SMEs were also found to have augmented after they applied certification such as ISO 14001 in Santos et al. (2016).

Also, managers of EMFs must take advantage of the current abundance of internet technologies to extend their operations abroad. As evidenced from the firms in this research, EMFs can leverage on the internet to conduct extensive research on their target international markets, increase sales and even extend into psychically distant and more advanced target markets. It was revealed that the firms from Sarawak utilise the internet to conduct due diligence since it is a faster, cheaper and more convenient way to study the target international market to avoid potential risks in internationalisation such as the risk of default. Also, through the internet, the firms adopted e-commerce as their mode of international entry which enabled them to internationalise even into psychically distant countries at a cheaper cost. Thus, to reduce costs and ensure a more effective internationalisation, the management of EMFs must include internet technologies in their operations (Skudiene, Auruskeviciene, and Sukeviciute 2015).

Again, the managers of EMFs that wish to internationalise successfully must practise smart staffing, that is, employing staff with the right expertise for internationalisation. This research revealed that smart staffing can help EMFs to overcome some of the constraints they face in order to ensure a more successful internationalisation. For instance, this research revealed that smart staffing enabled the firms from Sarawak to study their target international markets, mitigate constraints in internationalisation

such as communication barriers, and to get access to specialised skills needed for a smooth internationalisation which are difficult to find in Malaysia.

Lastly, the management of EMFs must take advantage of the economic partnerships between their countries and other countries to internationalise their operations. The current research revealed that the firms from Sarawak have mostly internationalised into eastern and south eastern Asian countries such as the ten ASEAN countries, China and India. These are countries with which the Malaysian government has economic agreements such as the CEPT, ACFTA and CECA respectively. It was found that it was more advantageous for the firms in the research to internationalise into these countries since these economic agreements ensure the reduction of tariffs on goods and services traded among member countries. Thus, it will be less costly and more efficient for EMFs to internationalise into their home countries' partner countries.

## **5.5 THESIS LIMITATIONS**

Like every research work, this research has some limitations which have to be acknowledged and kept in mind when reviewing the findings herein. Firstly, as discussed in Chapter 3 of this thesis, the current research focused on one east Malaysian state, and therefore limits the generalisability of the findings. However, the findings might be relevant to other countries or regions which have a similar socio-cultural environment as that of Malaysia.

Secondly, this research could not capture all the relevant industries in Sarawak, such as the timber industry. Also, all the participating firms belonged to the SME category according to the NSDC's current classification of firms. Due to the size of the firms, only one participant from each firm was interviewed. This again limits the generalisability of the findings of the research.

Also, the nature of the research sample and data main collection method pose as limitations for this research. The 15 companies in this research were made up of firms belonging to nine industries. Four out of the nine industries were represented by a firm each, which therefore limits their representativeness of their various industries. In terms of the face-to-face interview method utilised as the main data collection method



for this interview, it has been criticized as being prone to bias and less generalizable, which poses as a limitation for this research.

Lastly, another limitation of this thesis is that it could not fully capture the differences and similarities among the various firms, industries and sectors with respect to their internationalisation strategies and constraints.

## **5.6 RECOMMENDATIONS FOR FUTURE STUDIES**

Based on the limitations highlighted earlier, several recommendations can be made for future studies. Firstly, this research could be replicated in Sabah, other parts of the Borneo Island and other emerging markets. This will help to improve the credibility and transferability of the findings of this research. Also, future studies can utilise quantitative methods of data collection such as surveys to test findings of this research such as the relevance of business networks in EMF internationalisation and how measures are put in place to mitigate constraints EMFs face in their internationalisation.

Secondly, future studies could endeavour to capture all relevant industries from Sarawak or any other study context. The firms to be studied can focus on or include larger-sized firms. Also, the number of participants from each firm can be interviewed, particularly participants from various departments such as finance, legal and HR departments. This will bring out other perspectives of EMF internationalisation and make the findings more relevant or significant to various stakeholders.

In order to make their findings more representative of the industries being studied, future studies can endeavour to include more than one firm from each industry. In terms of the limitations associated with the face-to-face interview method, future studies can use other data collection methods such as the focus group interviews and the survey method which are less prone to bias and more generalisable respectively.

Lastly, future studies can focus on the internal and external constraints faced by EMFs in their internationalisation and how these constraints direct the strategies adopted by the firms in their internationalisation. Also, future studies can investigate how EMFs from different markets and industry sectors use their business networks to internationalise their operations. Future studies can also capture the differences and

similarities in internationalisation strategies and constraints among firms from various industries, sectors, sizes and life cycles.

## **5.7 THESIS CONCLUSION**

The final chapter of the thesis provided a summary of the entire research, after which the implications of the research to various stakeholders were highlighted. Finally, the limitations of the research were elaborated. Based on the limitations, some recommendations were made towards future studies.

In conclusion, this research explored the internationalisation strategies of firms originating from the East Malaysian state of Sarawak, and the suitability of prevailing theories in explaining those strategies. This research contributes to theory and IB research. Specifically, this research proposes an integration of prevailing IB theories with the Network theory serving as the central or binding theory due to the inadequacies of prevailing theories in singlehandedly explaining EMF internationalisation paths. Also, this research found that it is imperative to study the constraints EMFs face in their internationalisation since these constraints also shape and inform the strategies adopted. As such, this research proposes a framework for studying the internationalisation strategies of firms from Sarawak and other similar contexts.

The findings of this research has some implications for policymakers and managers of EMFs which include among others the formation and strengthening of economic partnerships between countries and the practice of smart staffing among EMF managers. In a nutshell, this study answers the research questions, and thus achieves the research objectives.

In order to contribute more to knowledge and IB studies, and make this research more meaningful, future studies can be replicated in other emerging market areas and use quantitative methods for data collection and analysis. Also, future studies can ensure to include firms from all the study context's relevant industries. Again, future studies can probe into the differences and similarities in internationalisation among the firms from different life cycles, industries and sectors of the economy.

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## APPENDICES

### Appendix 1. Introductory Letter

<div data-bbox="957 380 1300 459"> Curtin University</div> <p data-bbox="383 537 574 571">Dear .....</p> <p data-bbox="622 593 1061 627"><u>Request to gather data for academic research</u></p> <p data-bbox="383 638 1300 784">I am a postgraduate student enrolled in a Masters by Research programme in the Faculty of Business at Curtin University Malaysia. I am writing to seek your assistance in gathering data for my research study entitled "Internationalization Strategies of Emerging Market Firms; The Case of Sarawak".</p> <p data-bbox="383 806 1300 1019">The aim of this research is to highlight the approach used by firms originating from Sarawak in business activities in international markets. To this end, I have identified your prestigious company, ....., and its operations beyond Malaysia and am seeking an opportunity to interview you and any other person(s) that you deem helpful to provide further information and insight. I would wish to find out more about your company's international business development in terms of international markets, year, purpose(s) and method(s) of entry.</p> <p data-bbox="383 1041 1300 1153">Data gathered from this research will solely be used for research purposes and at all times the anonymity of the company and participants will be maintained, in the thesis and any related publications.</p> <p data-bbox="383 1176 1300 1243">I shall be most grateful if you could propose dates for an appointment to interview you. I can be contacted directly or through my supervisory team in the provided emails.</p> <p data-bbox="383 1265 989 1299">Thanking you in advance. I look forward to hearing from you.</p> <p data-bbox="383 1366 542 1400">Yours sincerely</p> <div data-bbox="383 1411 518 1467"></div> <p data-bbox="383 1500 829 1635">Ms. Yaa Serwaa-Akoto Amoah. Faculty of Business <i>serwaakoto.amoah@postgrad.curtin.edu.my</i> (Telephone: 011 269 55202)</p> <p data-bbox="383 1713 1300 1937">*Supervisory Team: Assoc. Prof. Pauline Ho; Deputy Dean, Faculty of Business; <i>pauline.ho@curtin.edu.my</i> Assoc. Prof. Yap Ching Seng; Supervisor, Faculty of Business; <i>yapchingseng@curtin.edu.my</i> Ms. Fidella Tiew; Co-Supervisor, Faculty of Business; <i>fidella.t@curtin.edu.my</i> Prof. Jonathan Winterton; Associate Supervisor; <i>jonathan.winterton2016@outlook.com</i></p>
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## Appendix 2. Participant Information Form



INTERNATIONALIZATION STRATEGIES OF EMERGING MARKET FIRMS; THE CASE OF SARAWAK

### PARTICIPANT INFORMATION STATEMENT

<b>HREC Project Number:</b>	HRE2017-0461
<b>Project Title:</b>	INTERNATIONALIZATION STRATEGIES OF EMERGING MARKET FIRMS; THE CASE OF SARAWAK
<b>Principal Investigator:</b>	<i>A/P Dr. Yap Ching Seng</i>
<b>Student researcher:</b>	<i>Ms Yaa Serwaa-Akoto Amoah</i>
<b>Version Number:</b>	1
<b>Version Date:</b>	12/06/2017

### What is the Project About?

- **The background to the research project**

In recent years, internationalization has become a major trend and source of business growth. The major world players across industries have resorted to extending their operations beyond the boundaries of their home countries, thus, "staying indoors" is equivalent to being left behind. With a glance at the economies of America, United Kingdom, Germany and recently, China and Singapore, it can boldly be said that there is a positive correlation between internationalization of businesses and economic growth. Consequently, businesses from emerging economies are evidently internationalizing gradually, especially those from Asia.

- **Aspect your project**

Extending the literature of International Business Operations in the context of Sarawak and their correlation.

- **Aim of Project**

The aim of this work is to investigate the internationalization strategies of emerging market multinationals (EMMs) with reference to selected EMMs in Sarawak.

- **Contribution**

Limited published literature is available on internationalization of firms from Sarawak and the Island of Borneo. Hence, this research will generate novel and additional knowledge to the field of international business. Findings of this research can also serve as practical insights into businesses in Sarawak and more widely in other emerging markets and island-based EMMs with plans to internationalize.

- **Participants**

Participants for this research will be managers and executives in charge of running the international operations of identified multinational firms in Sarawak.

### Who is doing the Research?

- The project is being conducted by Associate Professor Yap Ching Seng, Professor Jonathan Winterton and Ms Yaa Serwaa-Akoto Amoah.
- This project is funded by Curtin Malaysia Postgraduate Scholarship.

## INTERNATIONALIZATION STRATEGIES OF EMERGING MARKET FIRMS; THE CASE OF SARAWAK

- No payment will be made to participants. However, copies of the research findings will be made available to participating companies with the ability to only identify their company's contribution. All other companies will be anonymous.

### **Why am I being asked to take part and what will I have to do?**

- **Why am I being asked and what will I need to do?**

We have identified your prestigious company as one of the companies that have originated from Sarawak with an immense contribution to the economic development of Malaysia. The aim of this research is to highlight the ways through which firms originating from Sarawak are able to expand their operations into international markets and the challenges they face. You are being asked to participate in this research because of your knowledge in the international operations of your company. I would therefore wish to interview you and any other person(s) you deem helpful on the international operations of your company. The interview will last for about 30 minutes.

### **Are there any benefits' to being in the research project?**

- There will be no direct benefits to you from participating in this research. However, your company will receive a copy of our research findings with possible recommendations.

### **Are there any risks, side-effects, discomforts or inconveniences from being in the research project?**

- There are no foreseeable risks from this research project.

### **Who will have access to my information?**

- The information collected in this interview will be non-identifiable and treated as anonymous. Any information I collect and use during this research will be treated as confidential. Only the research team and the Curtin University Ethics Committee will have access to the information I collect in this research. The information I collect in this study will be kept under secure conditions at Curtin University.

### **Will you tell me the results of the research?**

- The findings from this research will be made available to your company. You will be able to identify your company but all other companies will be anonymous. This will also include some possible recommendations.

### **Do I have to take part in the research project?**

- Your participation in this research is entirely voluntary. You can also decide to withdraw your participation in this research as and when you want to. This research is approved by Curtin University.

### **Contact Information**

- For further information about this search, please contact either: Associate Professor Yap Ching Seng ([yapchingseng@curtin.edu.my](mailto:yapchingseng@curtin.edu.my)) or Ms. Yaa Serwaa-Akoto Amoah ([serwaakoto.amoah@postgrad.curtin.edu.my](mailto:serwaakoto.amoah@postgrad.curtin.edu.my) / 011 26955 202)



INTERNATIONALIZATION STRATEGIES OF EMERGING MARKET FIRMS; THE CASE OF SARAWAK

*Curtin University Human Research Ethics Committee (HREC) has approved this study (HRE2017-0461). Should you wish to discuss the study with someone not directly involved, in particular, any matters concerning the conduct of the study or your rights as a participant, or you wish to make a confidential complaint, you may contact the Ethics Officer on (08) 9266 9223 or the Manager, Research Integrity on (08) 9266 7093 or email [hrec@curtin.edu.au](mailto:hrec@curtin.edu.au).*

### **Appendix 3. General Interview Questions**

#### **Interview Questions**

1. Can you describe your role and how long you have been doing it?
2. Can you tell me about the international business development of the company since its establishment till now?
3. What are the challenges the company faced in its international operations and how did the company overcome them?
4. Based on the company's experiences now will it be more appropriate to expand into closer or farther countries?
5. Do you believe that the company has achieved its objectives for expanding overseas?

## Appendix 4. Interview Guide

### Interview Guide

#### Opening

- a. (Establish rapport) Good morning Mr/Ms ..... Thank you very much for accepting to have this interview with me. My name is Serwaa, a postgraduate research student at Curtin University.
- b. (Purpose) I would like to find out more about (company's name) international business development for my research project.
- c. (Time line) The interview should take about 40 minutes.

#### Transition

Q1. Let me begin by finding out a little about you. Can you tell me about **your role** and **how long** you have been doing it?

Follow up: Are you Sarawakian?

-If answered yes with hometown move to Q2.  
-If answered yes without hometown ask where.  
-If answered no with hometown move to Q2.  
-If answered no without hometown ask where.  
\*Pass a short comment about hometown if possible.

#### Body

Q2. From your company's website it was established in (year) to (core business) and currently has some international operations. Can you tell me about the international business development of the company since its establishment till now?

#### Capture:

Markets

-What international market(s) is the company currently operating in?  
-In what year did the company start operating in (first market)?  
-What was the second international market and which year did it start?  
-Latest international market the company operates in and which year?

Motives

-What is the reason(s) for the company expanding abroad?  
\*Is the reason(s) the same for all the company's markets?

Modes

-How did the company enter into international markets?  
\*Find out if it's same for all markets.  
-Why did the company choose to enter into international market using that mode?

Methods

-Can you describe some of the specific operational practices the company used in its foreign markets?  
\*After mentioning some of them ask why the company chose to do them

Management

-Can you tell me about the structure of management in your company? (Headquarters)  
-Are there any foreigners in your management team? (Headquarters)  
\*Is there any reason why the company has chosen to include foreigners in its management team/not because in school we learnt that diversity in the company's structure is beneficial to the company?  
-Can you describe the management in the overseas markets?  
\*Ask if they are Malaysians or locals of the overseas market.  
-Can you describe some management practices both at the headquarters and international offices?  
\*Ask about some specific practices management does

Q3. Now we'll move on to the next section. Can you tell me the challenges the company faced in its international operations?

Capture:

- i. Initial challenges
- ii. Current challenges

Follow up:

What did the company do/what is the company doing to overcome the challenges?

Comparing closer and farther international markets, which would you say posed more challenges to the company?

Q4. Based on your company's experiences, looking at the fact that your company is doing well, what are some of the factors the company will look at to further its operations into other international markets?

Capture:

- iii. Please rank: (i) closeness (ii) regulations (iii) hospitality (iv) market size (v) culture (vi) resources?
- iv. What are the reasons why the company considers those factors as important for expanding internationally?

Q5. Lastly, do you believe that the company has achieved its objectives for engaging in operations abroad?

#### **Closing**

It has been a pleasure finding out more about your company. Is there anything else you think would be beneficial for me to know?

Let me briefly summarize our interview.

\*Summarize

I appreciate the time you took for this interview. Thanks once again.

### **Modes**

- v. **Exporting** its products to the foreign market
- vi. **Licensing:** Allowing another company in the foreign country to use your product by issuing a license to them
- vii. **Franchising:** Allowing another company in the foreign country to use your trade name
- viii. **Joint venture:** Joining your assets with that of another company in the foreign country to form a new company with a new name
- ix. **Subsidiary:** Establishing a production plant in the foreign country

### **Methods (examples)**

- x. Combat negative image
- xi. Acquire foreign brands and technology
- xii. Grow quickly to have international sales become a meaningful part of international activity to get employee attention
- xiii. Important not to make many mistakes but more important to learn
- xiv. Invest in research and development
- xv. Engage in CSR activities

### **Management**

- xvi. Pay attention to cultural differences and adapt management practices
- xvii. Staff for international success
- xviii. Have and articulate a clear vision to go international
- xix. Interact with subsidiaries
- xx. Help employees get international experience, skills and mind-set

## Appendix 5. Consent Form



### INTERNATIONALIZATION STRATEGIES OF EMERGING MARKET FIRMS; THE CASE OF SARAWAK

#### CONSENT FORM

<b>HREC Project Number:</b>	HRE2017-0461
<b>Project Title:</b>	INTERNATIONALIZATION STRATEGIES OF EMERGING MARKET FIRMS; THE CASE OF SARAWAK
<b>Principal Investigator:</b>	A/P Dr. Yap Ching Seng
<b>Student researcher:</b>	Ms Yaa Serwaa-Akoto Amoah
<b>Version Number:</b>	1
<b>Version Date:</b>	12/06/2017

#### For the Participant to Tick

- ☐ I have read, the information statement version listed above and I understand its contents.
- ☐ I believe I understand the purpose, extent and possible risks of my involvement in this project.
- ☐ I voluntarily consent to take part in this research project.
- ☐ I consent that this interview can be audio recorded.
- ☐ I understand that this project has been approved by Curtin University Human Research Ethics Committee and will be carried out in line with the National Statement on Ethical Conduct in Human Research (2007).
- ☐ I understand I will receive a copy of this Information Statement and Consent Form.

Participant Name	
Participant Signature	
Date	

#### For the Researchers to Complete

Declaration by researcher: I have supplied an *Information Letter* and *Consent Form* to the participant who has signed above, and believe that they understand the purpose, extent and possible risks of their involvement in this project.

Researcher Name	
Researcher Signature	
Date	

*Note: All parties signing the Consent Form must date their own signature.*

## Appendix 6. Interview Questions Sent Via E-mail

**Student name:** Yaa Serwaa-Akoto Amoah

**Course of study:** Master of Philosophy

**Project title:** Internationalisation strategies of Emerging Market Firms: the case of Sarawak

Thank you for participating in this study. All responses will be treated confidentially and remain anonymous in any written thesis or papers. Your contribution is greatly appreciated.

In this questionnaire, **international business** means **doing business outside Malaysia** directly or indirectly through means such as exporting to customers directly, exporting through independent agents, exporting through partner companies outside Malaysia, provision of services outside Malaysia through partner companies, licensing, franchising, joint ventures and the establishment of offices or factories outside Malaysia.

Company name: \_\_\_\_\_

### Part A

1. Can you describe your role and how long you have been working with the company?
2. Are you from Sarawak? If not, where do you come from?

### Part B

3. In which year was the company established and what is its core business?
4. Can you describe or provide the management structure of the company at the Headquarters?
5. Are there any foreigners among the management team at the Headquarters? If yes, which countries are they from? Why did the owners of the company decide to include foreigners in the management team?

### Part C

6. In which year and which first country did the company start doing international business with? Why did the company choose that country?



7. Please list other countries which the company has international business relations.  
Why those countries listed?

8. a) How does the company reach its customers outside Malaysia? Please tick all applicable options:

Exporting directly to foreign clients upon ordering

☐

Exporting through independent agents

☐

Exporting through partner international companies

☐

Licensing international companies to use the company's technology

☐

Franchising

☐

Establishment of international office/factory

☐

Other (Please specify): .....

b) Why does the company use the option(s) chosen above?

9. Can you describe some of the specific operational practices, methods or processes the company does in order to keep doing international business?

10. What are some of the measures put in place at management level to ensure successful international business?

11. What are some of the challenges the company faces in doing international business?

12. What did the company do/what is the company doing to overcome the challenges mentioned in question 11?

#### Part D

13. Which other countries does the company plan to enter into in future and why?

14. For future business expansion plan:

- a) what are some of the internal factors which will influence the company's decision?
  
- b) what are some of the external factors that will influence the company's decision?

## Appendix 7. Snapshots of Sections of Coded Data

DESIGN PAGE LAYOUT REFERENCES MAILINGS REVIEW VIEW EndNote X7 GRAMMARLY Yaa

Font Paragraph Styles Editing

1 2 3 4 5 6 7

P2: the company started in 1994. After about 8 years of operations then it started having Singaporean customers coming in. So Singapore was the first international market we dealt with. You know Singapore is the hub of trading so a lot of Singapore traders and brokers came in so we delivered our vessels around the world during that time through Singaporeans most of the time.

SA: what's the latest international market of the company?

P2: throughout the years we have dealt with customers from Indonesia, Singapore, Australia, UAE, Panama, Nigeria, South Africa Russia, Qatar, lots of countries we deal with. The latest market we have entered within these three to five years aggressively is Australia and UAE. And these are all not through Singapore as we used to do. It's now through our direct contact that we deal with them. Also, we have Russia in our list of countries we deal with. This all happened within this last 5 years.

SA: why did the company decide to deal directly with international customers within these past few years?

P2: because when we operate through a Singaporean broker they have their mark-up or commission which reduces our margin, so this is a problem. And during these deals we face a lot of problems with miscommunication because the Singaporean trader or broker are not technical enough, they are just traders who want to buy and sell anything, make money and retire. So they don't want to look into detail at the technical stuff.

SA: is there any reason why the company decided to extend its business to those particular countries mentioned?

P2: The main reason is for us to do business and when we deal internationally then it means we have better margin. At the end of the day it is still business. Business is for you to get good profit and sustain your yard and your life. For myself it's the interest. Like a hobby. When we deal with these kind of people you make friends with them, we know their cultures, we have our globalisation mind-set in our head. We try to get to know more about their countries. Just the interest for myself personally. But for the company of course it's to do something different in this region, to deal with some different countries to differentiate ourselves from the competitors here. So we are the first shipyard dealing with Russia directly, we're the first one. And we are among the first few shipyards to deal directly internationally.

SA: so how does the product enter into the international market?

P2: we build all our vessels here and then export to the customer. And just recently we have started building two vessels in the UAE. Still by our team in UAE. We have a partner shipyard in UAE. If we build here, and someone wants to buy from Europe from us, then delivery charge will be expensive compared to if we build in a place like UAE and deliver to a customer in Europe. So these are the solutions that we are looking at.

Yaa Senwaa-Akoto Amoah  
First market: Singapore

Yaa Senwaa-Akoto Amoah  
Initial entry mode was indirectly through brokers/agents in Singapore.

Yaa Senwaa-Akoto Amoah  
Markets are near and far and more direct dealings

Yaa Senwaa-Akoto Amoah  
Mode: Direct exportation

Yaa Senwaa-Akoto Amoah  
Reason for direct export and not through agents

Yaa Senwaa-Akoto Amoah  
Market seeking motive for higher margin

Yaa Senwaa-Akoto Amoah  
Motive: image enhancement/differentiation

Yaa Senwaa-Akoto Amoah  
Direct export as mode

Yaa Senwaa-Akoto Amoah  
Partnerships as mode

Yaa Senwaa-Akoto Amoah  
Reason for partnership



## Appendix 8. Confirmation of Ethical Clearance

		<b>Curtin University</b>
Office of Research and Development		
GPO Box U1987 Perth Western Australia 6845		
Telephone +61 8 9266 7863 Facsimile +61 8 9266 3793 Web <a href="http://research.curtin.edu.au">research.curtin.edu.au</a>		

14-Jul-2017

Name: CS Yap Yap  
Department/School: CBS International  
Email: [Csyap.Yap@curtin.edu.au](mailto:Csyap.Yap@curtin.edu.au)

Dear CS Yap Yap

**RE: Ethics Office approval**  
**Approval number: HRE2017-0461**

Thank you for submitting your application to the Human Research Ethics Office for the project **INTERNATIONALIZATION STRATEGIES OF EMERGING MARKET FIRMS; THE CASE OF SARAWAK**.

Your application was reviewed through the Curtin University Low risk review process.

The review outcome is: **Approved**.

Your proposal meets the requirements described in the National Health and Medical Research Council's (NHMRC) *National Statement on Ethical Conduct in Human Research (2007)*.

Approval is granted for a period of one year from **13-Jul-2017** to **12-Jul-2018**. Continuation of approval will be granted on an annual basis following submission of an annual report.

Personnel authorised to work on this project:

Name	Role
Yap, CS Yap	CI
Amouh, Yaa Serwaa-Akoto	Student

Approved documents:

Document
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**Standard conditions of approval**

1. Research must be conducted according to the approved proposal
2. Report in a timely manner anything that might warrant review of ethical approval of the project including:
  - proposed changes to the approved proposal or conduct of the study

- unanticipated problems that might affect continued ethical acceptability of the project
  - major deviations from the approved proposal and/or regulatory guidelines
  - serious adverse events
3. Amendments to the proposal must be approved by the Human Research Ethics Office before they are implemented (except where an amendment is undertaken to eliminate an immediate risk to participants)
  4. An annual progress report must be submitted to the Human Research Ethics Office on or before the anniversary of approval and a completion report submitted on completion of the project
  5. Personnel working on this project must be adequately qualified by education, training and experience for their role, or supervised
  6. Personnel must disclose any actual or potential conflicts of interest, including any financial or other interest or affiliation, that bears on this project
  7. Changes to personnel working on this project must be reported to the Human Research Ethics Office
  8. Data and primary materials must be retained and stored in accordance with the [Western Australian University Sector Disposal Authority \(WAUSDA\)](#) and the [Curtin University Research Data and Primary Materials policy](#)
  9. Where practicable, results of the research should be made available to the research participants in a timely and clear manner
  10. Unless prohibited by contractual obligations, results of the research should be disseminated in a manner that will allow public scrutiny; the Human Research Ethics Office must be informed of any constraints on publication
  11. Approval is dependent upon ongoing compliance of the research with the [Australian Code for the Responsible Conduct of Research](#), the [National Statement on Ethical Conduct in Human Research](#), applicable legal requirements, and with Curtin University policies, procedures and governance requirements
  12. The Human Research Ethics Office may conduct audits on a portion of approved projects.

**Special Conditions of Approval**

None.

**This letter constitutes low risk/negligible risk approval only.** This project may not proceed until you have met all of the Curtin University research governance requirements.

Should you have any queries regarding consideration of your project, please contact the Ethics Support Officer for your faculty or the Ethics Office at [hrec@curtin.edu.au](mailto:hrec@curtin.edu.au) or on 9266 2784.

Yours sincerely



Amy Bowater  
Acting Manager, Research Integrity

*Every reasonable effort has been made to acknowledge the owners of copyright material. I would be pleased to hear from any copyright owner who has been omitted or incorrectly acknowledged.*

*Thank you.*